<table>
<thead>
<tr>
<th>S. No</th>
<th>Contents</th>
<th>Page No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction</td>
<td>2</td>
</tr>
<tr>
<td>2.</td>
<td>Mutual Funds: An Overview</td>
<td>3-6</td>
</tr>
<tr>
<td>3.</td>
<td>Need for the Study</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>Review of Literature</td>
<td>7-9</td>
</tr>
<tr>
<td>5.</td>
<td>Research Gap</td>
<td>9</td>
</tr>
<tr>
<td>6.</td>
<td>Objectives of the Study</td>
<td>10</td>
</tr>
<tr>
<td>7.</td>
<td>Hypotheses</td>
<td>10</td>
</tr>
<tr>
<td>8.</td>
<td>Research Methodology</td>
<td>10-12</td>
</tr>
<tr>
<td>9.</td>
<td>Chapter Plan of the Study</td>
<td>12-13</td>
</tr>
<tr>
<td>10.</td>
<td>Objective Wise Findings, Conclusions and Suggestions</td>
<td>14-23</td>
</tr>
<tr>
<td>11.</td>
<td>Results of Chi-Square Test</td>
<td>24</td>
</tr>
<tr>
<td>12.</td>
<td>Limitations of the Study</td>
<td>24</td>
</tr>
<tr>
<td>13.</td>
<td>Contribution of the Present Study</td>
<td>25</td>
</tr>
<tr>
<td>14.</td>
<td>Scope for further Research</td>
<td>26</td>
</tr>
<tr>
<td>15.</td>
<td>References</td>
<td>27-29</td>
</tr>
</tbody>
</table>
1. INTRODUCTION

The Indian capital market has been growing tremendously with the reforms of
the industrial policy, reforms of public sector and financial sector and new economic
policies of liberalization, deregulation and restructuring. The Indian economy has
opened up and many developments have been taking place in the Indian capital
market and money market with the help of financial system and financial institutions
or intermediaries which foster savings and channels them to their most efficient use.
One such financial intermediary who has played a significant role in the development
and growth of capital markets is Mutual Fund.

In the present financial market, mutual funds have emerged as the key player of
saving and investment process. Majority of the individual investors have been
showing keen interest in the structured financial operation. With the growing
emphasis on the adoption of well structural professional management of investments,
the role of mutual fund has assumed greater importance. Mutual fund is an innovative
financial instrument, and investment vehicle for investors who pool their savings for
investing in diversified portfolio of securities, with the aim of attractive yields and
appreciation in their value. A mutual fund is a special type of institution, a trust or an
investment company which acts as an investment intermediary and invests the savings
of large number of people to the corporate securities in such a way that investors get
steady returns, capital appreciation and a low risk. It is essentially a mechanism of
pooling together the savings of a large number of investors for collecting investment
with an avowed objective of attractive yields and appreciation in their values. A
mutual fund is the most suitable investment for the retail investors as it offers an
opportunity to invest in a diversified, professionally managed portfolio at a relatively
low cost. At the retail level, investors are unique and are a highly heterogeneous
group. A large number of investment options are available to investors. Currently
there are large numbers of schemes available and the Asset Management Companies
(AMCs) compete against one another by launching new products or repositioning old
ones. Unless mutual fund schemes are tailored to the changing needs, and the AMCs
understand the fund selection behaviour of the investors; survival of funds will be
difficult in future.
2. MUTUAL FUNDS: AN OVERVIEW

Mutual funds are financial intermediaries that pool the financial resources of investors and invest those resources in portfolios of assets. Mutual funds are basically institutional arrangement for pooling of funds from small investors and invest them in the best financial instruments. Mutual fund is a trust that pools the saving of a number of investors who share common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these instruments and the capital appreciations realized are shared by its unit holders in proportion to 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 funds help small and medium size investors to participate today’s complex and modern financial scenario. The advantages for the investors are reduction in risk, expert professional management, diversified portfolios, liquidity of investment, variety of schemes and tax benefits. These varieties of schemes fulfill the need of different type of investors - gold investment schemes, retirement plan, tax-saving schemes, insurance linked schemes, systematic investment plans. Mutual funds play a vital role in the mobilization of resources and their efficient allocation. These funds play a significant role in financial intermediation, development of capital markets and growth of the financial sector as a whole. Changes in economic scenario, falling interest rates of bank deposits, volatile nature of the capital market emphasis the increasing importance of mutual funds. Today mutual funds collectively manage money almost as much as or more than banks.

2.1 CONCEPT OF MUTUAL FUND

A mutual fund is a fund managed by an asset management company with the financial objectives of generating growth. These asset management companies collect money from investors and invest in different stocks, bonds and other financial instruments in a diversified manner. Before investing they perform a thorough research and detailed analysis of market trends of stock and bond prices. That helps fund managers to invest properly and in the right direction. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to 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. The investors, who invest their money in the mutual fund or any asset management company (AMC), receive an equity position in that particular mutual fund. When the investors sell the units of the mutual fund after a certain period of time, they receive the returns according to the prevalent market conditions. The investment companies profit by allocating people’s money in different stocks and bonds according to their analysis of the market trend.

2.2 MUTUAL FUND INVESTORS AND THEIR BEHAVIOUR

Due to the growth of mutual fund industry, the investors prefer mutual funds as an investment. Mutual fund companies offer variety of schemes for all type of investors. Investment in mutual funds has grown very fast and has spread to even the remotest part of the country where a stock exchange does not function. But the big question is the mutual fund investor has a full knowledge about the capital market or not. The main reason for investing in mutual funds are diversification, flexibility, professional management ,low cost etc., The investment behaviour of the people is mainly based on the availability of fund, availability of investment avenues, investment objective, duration of investment, risk, nature of investment, selection of fund, attitude towards investment and also the problems encountered in investing on mutual funds. Indian investors have not been absolutely logical and rational in their investment behaviour and their investment decisions are always affected by the definite behavioural factors. The classical financial theories always suggest that external environmental factors like economic factors, political factors, socio-cultural factors, etc., always affect the performance of capital markets and decision making of the investor is always guided by a change in these factors .The optimum portfolio composition will in general differ among investors. It will depend both on their tastes and preferences that determine their expected utility from return and risks, and on the shape and position of the efficient opportunity available to them. Since the investor behaviours includes selection of fund families, variables leading to select the mutual fund, attitude towards the investment on mutual funds, reason for switching from are found to another and also the problems encountered in investing on mutual fund industry covers all these areas.
2.2 IMPORTANCE OF THE MUTUAL FUND

Small investors face a lot of problems in the share market due to limited resources, lack of professional advice, lack of information etc. Mutual funds have come as a much needed help to these investors. It is a special type of institutional device or an investment vehicle through which the investors pool their savings which are to be invested under the guidance of a team of experts in a wide variety of portfolios of corporate securities in such a way, so as to minimize risk, while ensuring safety and steady return on investment. It forms an important part of the capital market providing the benefits of a diversified portfolio and expert fund management to a large number, particularly to small investors. The mutual funds are gaining the popularity due to the following reasons:

With the emphasis on increase in domestic savings and improvement in deployment of investment through markets, the need and scope for mutual fund operation has increased tremendously. The basic purpose of reforms in the financial sector was to enhance the generation of domestic resources by reducing the dependence on outside funds. This calls for a market based institution which can tap the vast potential of domestic savings and channelize them for profitable investments. Mutual funds are not only best suited for the purpose but also capable of meeting this challenge.

An ordinary investor who applies for share in a public issue of any company is not assured of any firm allotment. But the subscriptions by mutual funds to the capital issue made by companies get firm allotment of shares. Mutual fund latter sell these shares in the same market and to the Promoters of the company at a much higher price. Hence, mutual fund creates the investors’ confidence.

As mutual funds are managed by professionals, they are considered to have a better knowledge of market behaviors. Besides, they bring a certain competence to their job. They also maximize gains by proper selection and timing of investment. Another important thing is that the dividends and capital gains are re-invested automatically in mutual funds and hence are not frittered away. The automatic reinvestment feature of a mutual fund is a form of forced saving and can make a big difference in the long run.

The mutual fund operation provides a reasonable protection to investors. Besides, presently all Schemes of mutual funds provide tax relief under certain sections of the Income Tax Act and in addition, some schemes provide tax relief
under Section 88 of the Income Tax Act lead to the growth of importance of mutual fund in the minds of the investors.

As mutual funds create awareness among urban and rural middle class people about the benefits of investment in capital market, mutual fund could be able to make up a large amount of the surplus funds available with these people through profitable and safe avenues. The mutual fund attracts foreign capital flow in the country and secures profitable investment avenues abroad for domestic savings through the opening of off shore funds in various foreign investors.

Lastly another notable thing is that mutual funds are controlled and regulated by SEBI and hence are considered safe. Due to all these benefits the importance of mutual fund has been increasing.

3. NEED FOR THE STUDY

Investors exhibit different types of behavioural traits when they are involved in the investment activities like information search, evaluating investment avenues and reviewing the investment made. These behavioural traits might vary from individual to individual. These behavioural traits have impact on investor's decision. Therefore, studying behavioural traits is important for the investment intermediaries who offer investment instruments. But the existing ‘Behavioral Finance’ studies on factors influencing selection of mutual fund schemes are very few and very little information is available about investor perceptions, preferences, attitudes and behavior. Yet again, perhaps no efforts are made to analyze and compare the selection behavior of Indian retail investors towards mutual funds particularly in post-liberalization period. With this background this study makes an earnest attempt to study the behavior of the investors in the selection of Mutual fund schemes.

Investors are unique and are a highly heterogeneous group at the retail level. Hence, designing a general product and expecting a good response will be futile. It is widely believed that Mutual funds (Mutual Fund schemes) are designed to target small investors, salaried people and others who are intimidated by the stock market; but on the other hand, like to reap the benefits of stock market investing. In spite of this, the future of mutual fund in India will be undeniably competitive not only from within the industry but also from other financial products that may provide many of the same economic functions, which is now observed in USA. All this in aggregate,
heightens the consumer’s confusion in selection of the investment products. Unless the mutual fund schemes are tailored to investors’ changing needs, and unless investment companies understand the fund selection/switching behavior of the investors, survival of funds will be difficult in future.

The study will help the individuals to make a wise decision in investing their savings; such as: whom to buy from and where to buy. Further this study will help mutual fund companies to understand the profile of Indian Retail investors and their investment behavioral pattern. By knowing this, companies can improve their products and can adopt appropriate strategy to tap unexplored market in a better way.

4. REVIEW OF LITERATURE

- Many Organizations and individuals conducted studies on the various aspects of the capital markets in the past. These studies were mainly related to various instruments of capital market, shareholding pattern, new issue market and scope, market efficiency, risk and return, performance and regulation of mutual funds. However, not much of research was done on investment patterns and investors perceptions towards mutual fund schemes. Hence an attempt is made to review some of the studies relevant to the topic in order to get into in depth details of the chosen study. The review of previous studies related to investor’s perception, attitude and behaviour towards mutual fund investment are summarized below:

Agapova (2011)\(^1\) 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.

Ajaykumar Mohanty (2006)\(^2\) analyzed the weakness of mutual funds. These are non availability of tailor-made schemes, no guarantee of returns, no control over costs,
problem of managing large corpus, volatility of return depends on market conditions, which is subject to frequent market volatility and mostly investment period is medium term to long-term where expected return is more. Market mutual funds scheme is for short period where return is not lucrative and the instruments are lesser in number.

**Adjmi .A (2008)** conducted the study to know risk tolerance level of individual investors and used a questionnaire to know determinants of risk tolerance of individual investors and collected responses from 1500 respondents. He concluded that the men are less risk averse than women, less educated investors are less likely to take risk and age factor is also important in risk tolerance and also investors are more risk tolerance than the less wealthy investors.

**Alexander et.al (2007)** revealed that mutual fund managers are able to value stocks and motivation plays a vital role in the assessment of trade performance. As far as they are concerned, valuation motivated buys produce higher performance than their benchmarks. In sharp contrast to this, liquidity-motivated buys underperform their benchmarks, thus indicating that mutual fund managers are not able to beat the market since they are compelled to pump additional cash from inflows.

**Aman Srivastava (2007)** analyzed the behaviour of investors in India, the study revealed that Indian investors have not been absolutely logical and rational in their investment decisions are always affected by definite behavioural factors.

**Anand.L and Murugaiah (2004)** 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.

**Aparna. S and Burghate M.A. (2012)** conducted the study to examine the investment behaviour of middle income class households in Nagpur and found that The saving &investment pattern of the middle class income households in Nagpur can be summarized that the bank deposits remain the most popular instrument of investment followed by insurance with maximum number of respondents investing in
these fixed income bearing option. A bank deposit remains the most preferred investment option of the middle class income households in Nagpur with 41 percent respondents marking it as the most preferred investment option. This is followed by the life insurance where 30 percent respondents marked it as relatively preferred investment option. Small saving schemes such as Public provident fund, post office savings deposits are the third preferred investment option. Overall the bank deposits & insurance are the most preferred instruments in all the income groups, inconsistency is seen in preference in shares & mutual funds, real estate & small saving schemes.

Arifur Rehman Shaikh et.al (2011) conducted the study with the objective of understanding the awareness among retail investors about various investment alternatives available and objectives of investments of retail investors in Belgaum district of Karnataka state and it revealed that knowledge level significantly leverages the returns on the investments and there is a negative correlation between the occupation of retail investor and the level of risk.

Arugaslan et.al (2008) found that if the level of risk imposed by the fund is factored in the analysis conducted, the mutual funds with greater average returns compared with the others may not be attractive enough to investors as they are before. Similarly, mutual funds with lower average returns may enhance their attractiveness if their low level of risk is factored in their performance analysis. In addition, the authors demonstrate convincingly that the returns on international mutual funds with low level of risk can be boosted by means of financial leverage.

Badla. B S. and Garg. V, (2007) observed that most of the schemes outperformed the market and the risk undertaken in the schemes is more than the market risk.

5. RESEARCH GAP

There is not much awareness about the need for financial protection, and most mutual funds are regarded as a tax-saving tool or even a pure investment. Only a very small percentage of the population, particularly salary earners and businessmen, own mutual fund. Mutual fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, entrepreneurs, financial intermediaries,
investors and regulators for varied reasons. 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 of trade and various other financial operations in actual practice. These expectations of investors are influenced by their “perception” and humans generally relate perception to action. Thus, the present study makes an earnest attempt to study the perception of the individual investors with regard to investment in mutual funds in greater Hyderabad.

6. OBJECTIVES OF THE STUDY

The research study titled “A Study on Perceptions of Individual Investors towards Mutual Funds in Greater Hyderabad” is aimed at achieving the following objectives

1. To analyze demographic profile, objectives of investment and information sources of individual investors in the selection of mutual fund schemes

2. To study the growth and development of mutual fund industry in India

3. To assess the impact of fund related and fund sponsor qualities on mutual fund investment decision

4. To analyze the perception of individual investors towards mutual funds

7. HYPOTHESES

Ho: There is no Association of Preferences towards Mutual Fund Products and Demographic features of investors

8. RESEARCH METHODOLOGY

Stratified random sampling method has been followed to select the sample. The individual investor is sample unit, who is at present investor in any mutual fund scheme. Individual investor is defined as “An individual who has currently invested in any Mutual fund scheme”. The population is defined as residents of Greater Hyderabad, who have invested in Mutual Fund Schemes.
8.1 SAMPLE DESIGN

Stratified random sampling method was used to collect data. Four Hundred respondents are taken from the following investor service centers.

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<td>1</td>
<td>India Info line Ltd (IIFL)</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Karvy Financial Services Ltd</td>
<td>100</td>
</tr>
<tr>
<td>3</td>
<td>ShareKhan Securities Ltd</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Computer Age Services Ltd (CAMS)</td>
<td>100</td>
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<td>Total</td>
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<td>400</td>
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Source: field survey

A structured questionnaire was administered to 400 respondents which consisted of both open ended and close ended questions.

(A) Population: - Population includes Mutual Fund investors of selected city of Greater Hyderabad in Telangana State.

(B) Sample element: Individual Mutual Fund investors are the Sample element.

(C) Sampling technique: stratified random sampling technique is used to select the sample.

(D) Sample size: The sample size of 400 respondents was taken from Distributors and investor service centers in Greater Hyderabad, respondents were asked to fill up the questionnaire.

(E) Questionnaire design: - A Structured questionnaire has been prepared and administered among the selected Mutual Funds investors of Greater Hyderabad city to study their perception and preferences regarding mutual funds.

8.2 TOOLS AND TECHNIQUES OF ANALYSIS

Statistical techniques used in the study include Mean, standard deviation Chi-square test, Correlation and factor analysis.
8.3 SOURCES OF DATA

8.3.1 PRIMARY DATA

The Data collected by conducting a survey by administering a questionnaire to 400 respondents in Greater Hyderabad. These 400 respondents are of different age groups, different occupations, different income levels and different qualifications.

8.3.2 SECONDARY DATA

The data required for the study has been collected from the secondary sources. The secondary sources includes the official web sites of securities exchange board of India (SEBI), Reserve bank of India (RBI), Published Dissertations, Government Reports, the websites of association of mutual funds India and various mutual fund companies.

8.4 SCOPE OF THE STUDY

The research design for the present study is descriptive, where the data is collected through the questionnaire. The data gathered from the respondents residing in Greater Hyderabad only.

9. CHAPTER PLAN OF THE STUDY

CHAPTER-1 INTRODUCTION

In this chapter, introductory part of research study which includes Introduction to study, investment options, need for the study, Review of Literature, objectives, methodology, Scope, and Limitations of the study were included.

CHAPTER-2 AN OVERVIEW OF MUTUAL FUND INDUSTRY IN INDIA

In this chapter, Introduction to Mutual Funds, History of mutual Funds, Management and regulatory frame work of Mutual Funds were included. The Parameters studied under the growth of mutual fund industry, based on the growth of AUM, mobilization of resources by mutual funds, sector wise as well as scheme wise, number of schemes by investment objective, Trends in transactions on stock exchanges on mutual funds, unit holding pattern and AUM over period of 13 years.
CHAPTER-3 PROFILE OF MUTUAL FUND INVESTORS IN GREATER HYDERABAD

The Parameters were studied in this chapter, Profile of the respondents in relation to investment decision and also objectives of investors such as Retirement, Contingency, Tax Saving, Asset purchasing and Children Education etc. The influence of information sources i.e. Mutual Fund Agents, Banks, Brokers News papers, Magazines, Family, peers, television, Internet, Family, Friends, financial Portals; were studied under this chapter.

CHAPTER-4 FUND SELECTION CRITERIA OF INVESTORS

The factors that were covered and studied under this chapter are fund qualities like fund performance record, fund reputation or brand name, scheme's portfolio of investment, schemes’ expense ratio and loads, creditability of image like favorable rating by rating agency, innovativeness of the scheme, flexible investment facility like product with tax benefits, minimum initial investments and withdrawal facilities. Fund sponsor qualities like Reputation of a sponsoring firm, Sponsor offers a wide range of schemes with different investment objectives, Sponsor has a recognized brand name, Sponsor has a well developed Agency Net Work/Infrastructure, and Sponsor has an efficient research wing and Sponsor’s expertise in managing money. Investors’ service related issues were Disclosure of investment objective in the advertisement, Disclosure of periodicity of valuation in the advertisement, Disclosure of the method and the periodicity of the schemes sales and repurchases in the offer documents, Disclosure of NAV on every trading day, Disclosure of deviation of investments from the original pattern and MF’s Investors grievance redressal machinery.

CHAPTER-5 PERCEPTIONS OF INDIVIDUAL INVESTORS

This chapter analysed the general awareness of individual investors on terms related mutual fund investment such as New Fund Offer (NFO), Systematic Investment Plan (SIP), Systematic Withdrawal Plan (SWP), Asset Management Company (AMC) and Association of Mutual funds in India (AMFI) etc and its association with individual investment decision making. This chapter also covered perceptions of respondents on
the statements such as Mutual Funds are useful for small investors, Mutual Funds give higher return than other investments, Mutual Funds are healthy for Indian financial environment, Private sector mutual funds are not good, ELSS schemes are good for tax saving, Mutual funds with large corpus perform better and Mutual funds having diversified portfolio gives better returns etc related to mutual fund investment and studied their perceptions towards mutual fund investment. The primary data also collected from the respondents relating to the withdrawal Behaviour of individual investors from mutual fund investment by taking the factors such as Lack of Performance, Lack of Involvement of companies, Lack of Capital appreciation, Low Dividend Payment ratio and Low NAV etc.

CHAPTER-6 SUMMARY OF FINDINGS CONCLUSIONS AND SUGGESTIONS

In this chapter findings, conclusions and suggestions which emerge from the analysis of the study and further scope of research were Presented

10. OBJECTIVE WISE FINDINGS, CONCLUSIONS AND SUGGESTIONS

OBJECTIVE-1 FINDINGS, CONCLUSIONS AND SUGGESTIONS

- To analyze demographic profile, objectives of investment and information sources of individual investors in the selection of mutual fund schemes
- FINDINGS

The study found that most of the investors belong to 31-40 years category which constitutes 63.0 per cent and majority of the investors were male which alone constitute 56.3 per cent and followed by female 43.8 per cent of the total. The study found that most of the respondent investors were married which constitute 64.8 per cent and followed by unmarried 35.3 per cent of total. The study found that out of the 400 respondents, In total a maximum of 39.3 are having professional degree and it is followed by investors with the education background of post graduation.
The study revealed that most important group of annual income is 1, 00,000, to 3, 00, 00 which constitutes 32.5 percent and followed by annual income group below 1, 00,000 which constitutes 32 percent to the total.

Garrett’s ranking was used to analyze the investor’s preference on various investment avenues. The study revealed the most preferred investment instrument of investor is fixed deposits which has the highest mean score of 4.28, followed by gold and insurance which has the mean score of 4.19 and 4.14 respectively.

The study found that majority (27.3 percent) of the investors was given importance to their children’s education compared to other investment objectives.

Factor analysis was used to reduce the tested factors and most influencing factors from rotated component matrix, the study found that out of 11 tested factors, 4 factors were highly influence on sources of information for investors.

Out of these four factors, Brokers were identified as major source of information in providing the information to investor on mutual fund investment who worked on the basis of incentives and commission.

The second source of information factors using by investors was internet and followed by the third factor was MF agents of various brokerage firms who are actively approaching common people and creating awareness about MF’s importance for their better future.

Majority of the respondent investors were from with the family size of 2 to 3 which constituted 53.5 percent to total.

The study revealed that majority (76 percent) of respondents’ strategy is keep holding till return matches the target.

The study found that A significant relationship exists between age and investment objective, gender and investment objective, gender and total investment, size of family and objective of investment, experience and investment strategy.

**CONCLUSIONS**

It is concluded that middle age, non-professional degree holders and female respondents were less access to mutual fund investment activities. From the above findings it is concluded that brokers were top in providing information and
attracting individual investors towards mutual funds. From the analysis it also concluded that age, gender, investment objective, experience and investment strategy were playing important role in individual investors ‘decision making. It is also concluded that fixed deposits and gold were most preferred investment avenues among individual investors. Mutual funds occupied fourth place in the order of preferred investment avenues.

Research analysis revealed there is a statistically significant relationship between independent variables (preferences of investors) and the dependent variable (investment decision) relationship between factor one(investors profile), factor two(information sources), factor three(investment options), factor four(investors objectives), and investment decisions shows that investment have significant impact on individual investors preference.

SUGGESTIONS
Based on findings presented above it was considered necessary to offer few suggestions for betterment of individual investors and growth of mutual fund industry:

Mostly the investors were from male and it is necessary the Asset Management Companies steps should be taken to attract more number of female investors.

Majority of the investors were getting information through brokers, so it is very necessary that they should perform their duties with full care by providing right and timely information.

The study revealed that most preferred Investment Avenue was fixed deposit. The Mutual fund organizations should conduct the awareness campaigns to attract more number of investors.

Most of the respondent investors’ objective was children’s education. So it is necessary to develop the mutual fund schemes that suits the investors needs.

Research analysis revealed there is a statistically significant relationship between individual variables such as age, gender,(independent variables )etc and dependent variables(investment decisions).So it is necessary AMCs should emphasis on independent variables such as investment objectives etc, while designing the mutual fund products
OBJECTIVE-2 FINDINGS, CONCLUSIONS AND SUGGESTIONS

- To study the growth and development of mutual fund industry in India
- FINDINGS

The study observed that India is second from the last position among the all countries in terms of AUM-GDP ratio. So it is concluded that India has low AUM-GDP ratio comparatively other developed countries.

From the Table 2.5 it can be observed that the mutual fund industry in India has grown fast in recent years. The performance is cheering compared with advanced countries.

From the Table 2.6 it can found that after a gap of two years, the mutual fund industry in India witnessed a positive growth in the resource mobilization and assets under management and the cumulative net assets managed by all the mutual funds totaled to Rs 7,01,443 crore as against Rs 5,87,217 crore at the end of March 2012, representing a rise 19.5 percent.

From the Table 2.7 it can be seen that the private sector mutual funds retained the lion’s share in the mutual fund industry with 81.6 percent in the gross resource mobilization. The corresponding shares of UTI mutual fund and other public sector mutual funds was 8.7 percent and 9.7 percent in gross resource mobilization.

From the Table 2.8 it can be seen that scheme-wise pattern reveals that net inflows were positive for all the scheme categories except growth/equity oriented schemes, plain ETFs and FoF schemes. Further it can also observed the AUM was the highest for income/debt oriented schemes Rs 4,97,451 crore while the AUM under growth/equity oriented scheme was Rs1, 72,508 crore.

From the Table 2.10 it is observed that Investments in the debt segment was the highest in June 2012 (Rs 78,465 crore) followed by March 2013 (Rs 68114 crore). While their net investments in debt segment were positive for all the months during the year, that in the equity segment was negative for all months except June 2012.
Further it can be observed that the mutual fund companies’ net purchases in debt are always higher than the net purchases in equity which emphasis that investors are interested in debt oriented schemes over the equity oriented schemes.

From the Table 2.11 it is observed that India has a high hold saving ratio. But the mutual funds have not been able to make profound impact channelizing the savings from the households to securities market.

CONCLUSIONS

India has low AUM-GDP ratio comparatively other developed countries and it is concluded that India is potential for mutual fund industry growth.

India is will also emerge as the next investment market, riding on a high savings and investment rate, as compared to other Asian economies. Over 50 per cent of the population is less than 25 years of age, with the proportion of working population likely to increase significantly over the next decade. The trend of rising personal incomes has been witnessed not only amongst the young population, but also the high net worth investment (HNI) segment, which have sizeable sums to invest. The house-hold segment therefore proffers immense scope for attracting investments. India has a strong middle class of 250-300million, which is expected to double over the next two decades.

SUGGESTIONS

In developed countries like USA, Europe, Brazil, Percentage of GDP-AUM ratio is more than 77, 41, 40.3 percent respectively, but India, it is just around 7 percent. It is suggested that the mutual fund companies India should try to attract more number of house hold investors towards mutual funds.

The study found that majority (82.6 percent) of resources mobilized by mutual funds in the private sector. It is suggested that more efforts have to be made by public sector mutual fund companies to create awareness among the investors to attract more number of investors to maintain healthy competition in the economy.

The study found that the mutual fund companies’ net Purchases in debt are always
higher than equity. It is suggested that the mutual fund companies should come with innovative schemes to meet the requirements of individual investors in equity.

OBJECTIVE-3 FINDINGS, CONCLUSIONS AND SUGGESTIONS

- To assess the impact of fund sponsor qualities on mutual fund investment decision
- FINDINGS

Fund Related Qualities: The study found that investors were more curious about the past performance of the fund (mean score 3.34) followed by the scheme’s portfolio of investment (mean score 3.24). They were given least preference to minimum initial investment while making investment decisions on mutual funds.

From the correlation, it is clear that the most influencing variable on fund quality is past performance of the fund (correlation coefficient 0.378) followed by Scheme’s portfolio of investment (correlation coefficient 0.312).

Fund Sponsor Qualities: The study found that investors were looking for Sponsor has a recognized brand name (mean 2.85) followed by Sponsor’s past performance in terms of risk and return (2.74) Sponsor has a recognized brand name and Sponsor’s expertise in managing money also influenced the investors while investment decisions were made.

From the correlation, it is clear that Sponsor has a recognized brand name has great influence in the fund sponsor quality (correlation coefficient 0.397) followed by Sponsor’s past performance in terms of risk and return and Sponsor’s expertise in managing money (correlation coefficient 0.393 & 0.192).

Investor service related issues: The study found that investors were giving more importance to immediate settlement (mean score 2.84), online trading (mean score 2.54), electronic clearing services (mean score 2.38), Disclosure of NAV on every trading day (mean score 2.23) and followed by Disclosure of periodicity of valuation in the advertisement is also influencing their investment decisions.
The study found that the perceptions towards mutual fund investment based on factor analysis communalities. It is inferred that the top four major factors which influenced the investors’ perceptions towards mutual funds are listed in the order of preference i.e. immediate settlement, Online trading, Electronic clearing services and Disclosure of NAV on every trading day.

The minor factors which influenced the investors’ perceptions towards mutual funds are listed in the order of preference i.e. bad deliveries, Fringe benefits, Disclosure of deviation of investments from the original pattern Minimum initial investment.

From the analysis of data presented from the table 4.11, it is clear that the perceptions towards mutual fund investment based on factor analysis communalities. It is inferred that the top four major factors which influenced the investors’ perceptions towards mutual funds are listed in the order of preference i.e. immediate settlement, Online trading, Electronic clearing services and Disclosure of NAV on every trading day.

The minor factors which influenced the investors’ perceptions towards mutual funds are listed in the order of preference i.e. bad deliveries, Fringe benefits, Disclosure of deviation of investments from the original pattern Minimum initial investment.

From the correlation, it is clear that immediate settlement is the most influencing variable on investor services (correlation coefficient 0.73) followed by online trading (correlation coefficient 0.65) is also influencing their investment decisions.

CONCLUSIONS

It is concluded that brand name and past performance in terms of return and risk were playing significant role in attracting the investors.

From the analysis, it is also concluded that immediate settlement, online trading, disclosure of NAV on daily are the most influencing variables on investor services (correlation coefficient 0.563) followed by online trading, (correlation coefficient 0.512), So AMCs should give importance to transparency in dealing with the investors.
It is concluded that not only the sponsors should focus on improving brand image but also managing the performance in terms of risk and return of portfolio schemes to retain the existing investors.

**SUGGESTIONS**

Based on the investigation through the survey, the following suggestions are made for the policy makers, mutual fund asset management companies and the investing public.

Regarding the fund related quality, most of the respondents opined that performance and schemes portfolio are key factors in the selection of mutual funds. So it is suggested that the asset management companies should focus on improving performance and making investment in diversified portfolio to meet the investor’s expectations.

Regarding the fund sponsor qualities, the study found that the most influencing factors are Sponsor brand name and Sponsor performance in terms of risk and return. So it is suggested that the asset management companies should focus on improving brand image and managing performance in terms of risk and return of Schemes’ portfolio.

Relating to service related issues, the study revealed that the important factors are Investors grievance redressal machinery, online trading and Disclosure of NAV on every trading day. So it is suggested that the asset management companies have to give immediate solution to their grievances.

**OBJECTIVE-4 FINDINGS, CONCLUSIONS AND SUGGESTIONS**

- To analyses the perceptions of individual investors towards mutual funds

**FINDINGS**

The study found that individual Investors are highly aware terms were Systematic Investment Plan (SIP), Systematic Withdrawal Plan (SWP), new fund offer since mean scores were 2.99, 2.25 and 2.20 respectively.

From the analysis of rotated component matrix table, the study revealed that three extremely aware factors were extracted out of 10 factors on level of awareness in mutual funds. Majority of the investors opined that they were extremely aware on
Systematic Withdrawal Plan, Systematic Investment Plan and followed by New Fund Offer where, ultimately the investor thinking more on how to withdraw money whenever they required and followed by ready money in investing new offer.

From the analysis of the Perception on Variables related to mutual funds, the study found that majority of the respondents accepted the perception, Mutual Funds are useful for small investors, ELSS schemes are good for tax saving and followed by Mutual Funds with high NAV is good for investment since their respective means were score 3.92, 3.84 and 3.57.

From the analysis of reasons for withdrawal of investors, the study found that they were the lack of performance, low NAV and Lack of investors’ Redressal mechanism since their respective mean score of 3.19, 3.10 and 3.00

CONCLUSIONS

It can be concluded that there is relationship between awareness level on mutual fund terms and investment decision making. It is also concluded that investors opined positive opinion on all statements related to mutual funds and investment decision making except on the Private sector mutual funds are not good, Close ended mutual funds are not good and New Fund offers are good than existing fund. It is concluded that the important reasons for withdrawal of the investors are poor performance, low NAV and lack of investors’ grievance mechanism since their respective mean score of 3.19, 3.10 and 3.00. Therefore the asset management companies should concentrate on the performance, return and NAV of schemes.

SUGGESTIONS

Based on the investigation through the survey, the following suggestions are made:

The study found that awareness on mutual funds is playing significant role in mutual fund investment. So it is suggested that Awareness campaigns and financial education drives should be more regularly undertaken.
AMCs/AMFI/Sponsors should develop investor education programs suitable to regional needs to increase awareness level among individual investors.

The study found that majority of the respondents accepted the perceptions on statements i.e. Mutual Funds are useful for small investors, ELSS schemes are good for tax saving and followed by Mutual Funds with high NAV is good for investment have significant impact on investment decisions. So it is suggested to asset management companies and policy makers to take into consideration above statements while designing mutual fund products and tax policy respectively.

The study also found that the reasons for withdrawal of investors were poor performance, low net asset value and investor grievances. So it suggested that the Asset management companies have to improve performance, as well as providing speedy mechanism to solve their grievances to retain existing investors and attracting the new investors. Usage of technology is a must to cope up with a feasible cost-benefit business development and participate in financial inclusion, more effectively.

11. RESULTS OF CHI-SQUARE TEST
12. LIMITATIONS OF THE STUDY

1. The study depicts the present scenario in the selected city i.e. Greater Hyderabad and hence the result may not be applicable to another place and period of time.

2. The study is limited to 400 respondents of greater Hyderabad only.

3. Answer to the questionnaire depends upon the beliefs and prejudices of investors.

4. It is assumed that respondents are true and honest in expressing their views and have filled the questionnaire honestly and without any bias.

13. CONTRIBUTION OF THE PRESENT STUDY
The current state of knowledge about the Mutual Fund investor behaviour is inadequate when applied to understand the buying decision process and post buying behaviour of Mutual Fund investors. The fundamental normative model of investment behaviour considers only risk and return as crucial variables impacting the investors’ buying behaviour. Most of the well known empirical studies in the field of mutual fund investment behaviour are based on secondary data which do not capture the important behavioural stimulus like level of purchase decision involvement and factors influencing the behaviour, which can be captured by the primary study conducted on the actual individual investors. Hence, this study will provide an insight to the Asset Management Companies, financial intermediaries, regulators and policy makers regarding the investment perceptions of mutual fund individual investors. The factors identified in the study, provides key information inputs regarding investor’s preferences and priorities that will guide future mutual fund managers in designing attractive mutual fund products suitable to individual investors.

The findings of fund selection criteria and perceptions of Mutual Funds investors allow the Asset Management Companies to identify which combination of variables has significant influence on the Fund selection of investors. The Asset Management Companies can then apply this knowledge for developing marketing strategies for all types of investors, present and future, and also identify significant factors that influence an investor’s selection to Mutual Fund Schemes. Hence, the largest gap between investor expectations and service delivery can be bridged with competent performance, flexible investment opportunities, reputation and fringe benefits or tangibles, if provided by the AMC. The 21st century investors look for value added services i.e. personalized attention, tailor-made investment packages, skills and infrastructure for understanding the needs of a common investors.

Running a successful mutual fund requires complete understanding of the peculiarities of the Indian Stock Market and also the psyche of the small investor. This study has made an attempt to understand the perceptions of MF investors in connection with the information sources, Investment objectives, investment avenues preference, influence of fund related, fund sponsor related and service related issues and also influence of awareness on selection of mutual fund schemes. The post survey developments are likely to have an influence on the findings. Behavioural trends usually take time to
stabilize and they get disturbed even by a slight change in any of the influencing variables. Hence, surveys similar to the present one need to be conducted at intervals to develop useful models. Nevertheless, it is hoped that the survey findings will have some useful managerial implications for the Asset Management Companies in their product designing and marketing.

14. SCOPE FOR FURTHER RESEARCH

The results which were obtained in this study and keeping in mind the limitations of this research study, some possible suggestions which may be offered for future research are following. Future research can be extended in a number of ways and some of the possibilities are enumerated below.

- Regarding the fund selection criteria, financial literacy of rural people in India. Hence, future researchers can attempt an empirical study in this direction.
- Perceptions of institutional investors, A comparative study of private and public sectors
- Recent trends and Developments in technology influence the selection criteria of investors. Hence, the impact of technology on selection of mutual fund schemes is another potential area for further study.
15. REFERENCES

THESES


RESEARCH PUBLICATIONS


**Books**


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