

## CHPATER – VI

### ANALYSIS ON RISK PERCEPTION AND SATISFACTION LEVELS

**Objective:** The objective of this chapter is to this chapter analyzed the level of awareness and satisfaction of return and risk involved in the selection of mutual funds.

This chapter is comprised of two parts. The first part deals with the investors' awareness regarding government organized programmes, mutual fund companies, etc. This part also consists of satisfaction level of the investors towards mutual fund services, returns, performance and the agents' services, etc. The second part analyses the risk perception of the investors towards mutual funds. it is also analysed whether there is any demographic factors' impact and the risk attitude.

#### PART – I

#### INVESTORS'S AWARENESS AND SATISFACTION LEVELS:

**AMFI Investor Awareness Programme:** In the current financial year 2011-12, 35 AMCs conducted 8508 Investor Awareness Programmes were conducted covering 401 cities and 3,40,383 were the number of participants, compared to the previous year 2,11,656 participants only in 280 cities.

#### INVESTORS AWARENESS OF MUTUAL FUNDS AND FINANCIAL PLANNERS SERVICES:

Statements	Number of respondents	Mean Values	Percentage of Respondents
Opinion about easiness of understanding the concept of Mutual Funds	302	4	60.4
Investors' dependence on Financial Planners before they invest.	318	4	63.6

302 respondents who are nearly 60% are investing in mutual funds because they feel that it is easy to understand. Mean value 4 indicates good awareness level among the investors. This infers that most of the investors are able to understand about mutual funds with the help of agents, newspapers, internet, etc., They are also trying to learn before they invest.

Similarly 318 respondents who are nearly 64% are trying to take advice from the financial planners about each scheme before they invest in. The level of awareness is at mean value 4.

This infers that financial planners service is being used by the investors may be they have enough confidence towards financial planners and investors are trying to gain more knowledge through mediators.

**STATEMENT SHOWING INVESTORS AWARENESS OF INVESTMENT COMPANIES, EDUCATIONAL PROGRAMMES AND FACT BOOKS:**

<b>Statements</b>	<b>Number of respondents</b>	<b>Mean Values</b>	<b>Percentage of Respondents</b>
Awareness about 36 investment companies offering Mutual Funds?	125	2	25.0
Reading through the company's fact sheets before investing in a particular company's funds	284	3	56.8
Interest in investors' awareness programmes on financial products and new funds?	301	4	60.2

Mutual fund investors do not have knowledge about the number of companies as well as schemes offered by different mutual funds, as the awareness level is just 2, very less mean value. This infers that investors are just investing only in the branded, much advertised companies, may be promotion is helping the improvement of AMCs. The respondents are aware of only the top branded companies like UTI, Reliance, ICICI, HDFC, etc., as per the list given by them in open ended question.

The respondents who are nearly more than half (56.8%) are trying to read the fact sheets before they invest in the company. Mean level is 3 which means the level of knowledge or trying to gain knowledge is moderate. This infers that investors are going through the fact sheets which are very clear that educated investors are doing this, as the majority of the investors are educated in the sample size.

Even though mutual fund investors are investing, they still like to learn more about, through awareness programmes. The mean value is more than four. This infers that majority of the investors are interested in improving their knowledge.

The internet is becoming an excellent medium to commercialize mutual funds; information can reach any person online at little cost. With the worldwide web mutual fund groups can get access to latest information about their products, NAV and also evaluated performance.

**STATEMENT SHOWING THE AWARENESS REGARDING  
UNDERSTANDING, UPDATING AND MANAGING THE PORTFOLIO:**

<b>Statements</b>	<b>Number of respondents</b>	<b>Mean Values</b>	<b>Percentage of Respondents</b>
Updating the investment avenues or schemes	206	3	41.2
Understanding the Portfolio	248	3	49.6
Management of money and advice to others	281	4	56.2

Mutual fund investors are moderate enough in knowledge of updating knowledge and themselves their portfolio, because the mean value is 3 for nearly 40%. This infers that almost 40% of the total respondents are knowledgeable in portfolio may be because most of the mutual fund investors are either graduates or post graduates.

As the mean value is 4, investors have good knowledge in professional management and they are also in a position to advice others. This shows that majority 56.2% of the investors have good knowledge in investment as well as professional management of money. This infers that mutual fund investors are good enough in much knowledge about financial products and services, may be they are qualified and learning about investment avenues.

**TABLE 6.1: PERIOD OF INVESTMENT IN MUTUAL FUNDS**

Character	Group	< 1 year	1-2 years	2-5 years	5-10 years	> 10 years	Total	$\chi^2$
Gender	Male	52(10.4)	76(15.2)	107(21.4)	54(10.8)	47(9.4)	336(67.2)	11.52*
	Female	27(5.4)	57(11.4)	49(9.8)	17(3.4)	14(2.8)	164(32.8)	
Age	25-35	39(7.8)	81(16.2)	61(12.2)	32(6.4)	36(7.2)	249(49.8)	32.93**
	35-45	20(4.0)	34(6.8)	38(7.6)	16(3.2)	8(1.6)	116(23.2)	
	45-55	16(3.2)	14(2.8)	45(9.0)	15(3.0)	13(2.6)	103(20.6)	
	55-65	4(0.8)	4(0.8)	10(2.0)	8(1.6)	3(0.6)	29(5.8)	
	>65			2(0.4)		1(0.2)	3(0.6)	
Academic Qualification	School final	4(0.8)	4(0.8)	5(1.0)	3(0.6)	3(0.6)	19(3.8)	25.04*
	Graduate	29(5.8)	48(9.6)	65(13.0)	34(6.8)	16(3.2)	192(38.4)	
	Post-graduate	21(4.2)	49(9.8)	68(13.6)	23(4.6)	24(4.8)	185(37.0)	
	Professional degree	25(5.0)	32(6.4)	18(3.6)	11(2.2)	18(3.6)	104(20.8)	
Annual Income	1.5-2.5	48(9.6)	79(15.8)	70(14.0)	36(7.2)	37(7.4)	270(54.0)	18.66*
	2.5-3.5	21(4.2)	34(6.8)	54(10.8)	15(3.0)	15(3.0)	139(27.8)	
	3.5-4.5	4(0.8)	8(1.6)	15(3.0)	12(2.4)	6(1.2)	45(9.0)	
	>4.5	6(1.2)	12(2.4)	17(3.4)	8(1.6)	3(0.6)	46(9.2)	
Occupation	Professional	10(2.0)	30(6.0)	30(6.0)		12(2.4)	82(16.4)	41.84**
	Salaried	56(11.2)	80(16.0)	96(19.2)	61(12.2)	48(9.6)	341(68.2)	
	Business	13(2.6)	23(4.6)	24(4.8)	9(1.8)		69(13.8)	
	Retired	-	-	6(1.2)	1(0.2)	1(0.2)	8(1.6)	
Nationality	Indian	77(15.4)	131(26.2)	153(30.6)	71(14.2)	61(12.2)	493(98.6)	2.93
	NRI	2(0.4)	2(0.4)	3(0.6)	-	-	7(1.4)	
Marital Status	Married	34(6.8)	69(13.8)	112(22.4)	47(9.4)	29(5.8)	291(58.2)	68.54**
	Unmarried	38(7.6)	56(11.2)	36(7.2)	20(4.0)	32(6.4)	182(36.4)	
	Divorced	6(1.2)	2(0.4)	2(0.4)			10(2.0)	
	Widow	1(0.2)		2(0.4)			3(0.6)	
	Widower		2(0.4)		4(0.8)		6(1.2)	
	Separated		4(0.8)	4(0.8)			8(1.6)	
Economic Status	Single income	65(13.0)	85(17.0)	117(23.4)	55(11.0)	45(9.0)	367(73.4)	15.78*
	Spouse's additional income	12(2.4)	27(5.4)	23(4.6)	6(1.2)	8(1.6)	76(15.2)	
	Other income	2(0.4)	21(4.2)	16(3.2)	10(2.0)	8(1.6)	57(11.4)	
Status of children	None	45(9.0)	63(12.6)	40(8.0)	24(4.8)	28(5.6)	200(40.0)	48.67**
	Kids	8(1.6)	28(5.6)	37(7.4)	9(1.8)	11(2.2)	93(18.6)	
	School going	21(4.2)	29(5.8)	59(11.8)	20(4.0)	19(3.8)	148(29.6)	
	Grown ups	4(0.8)	10(2.0)	16(3.2)	15(3.0)	1(0.2)	46(9.2)	
	Married	1(0.2)	3(0.6)	4(0.8)	3(0.6)	2(0.4)	13(2.6)	
	<b>Total</b>	<b>79(15.8)</b>	<b>133(26.6)</b>	<b>156(31.2)</b>	<b>71(14.2)</b>	<b>61(12.2)</b>	<b>500(100.0)</b>	

Majority of the respondents 156 (31.2%) are investing in the mutual funds for the past 2-5 years. Males are investing for a period of more number of years than the female investors. Investors in the age group of 25-35 are investing only for the past one or two years, whereas who are in the age group of 35-45 are in this investment for more number of years.

This shows that the investors are satisfied towards mutual funds and they have been investing for the past five years.

**SATISFACTION TOWARDS MUTUAL FUNDS RETURNS:**

<b>Statements</b>	<b>Number of respondents</b>	<b>Mean Values</b>	<b>Percentage of Respondents</b>
Mutual funds return and Performance are satisfactory	275	3	55.0
Investors finding out the performance of Mutual Funds	328	4	65.6

Mutual fund investors (55%) of the respondents are satisfied with the return and performance. There are still 45% who are not satisfied; therefore, still it is the responsibility to improve their performance as well as returns to the maximum extent possible.

Many of the respondents (65.6%) are using the daily published information through newspapers and internet. They are also interested in finding out the performance of the fund invested by them by observing NAVs. It also implies that investment habit of the

people is slowly improving, which leads to overall capital market growth and sustainable development.

**AWARENESS OF PROTECTION:**

<b>Statements</b>	<b>Number of respondents</b>	<b>Mean Values</b>	<b>Percentage of Respondents</b>
Mutual Funds are protected under SEBI guidelines	380	4	76.0
Government support and structural reforms for the future Mutual Funds industry.	335	4	67.00

The awareness levels of the respondents are concerned it is observed that they have more awareness about protection and portfolio. The mean values are significantly greater than 3. So it can be inferred that majority of the investors' level of awareness is moderate and they are aware that mutual funds are under the protection of SEBI. They are also aware of the portfolio of their fund.

Majority (67%) are of the opinion that Mutual Funds will have a good future, when the Government providing more investor friendly regulations, which are already in consideration.

Investors feel that Government should provide more reforms and support them. Mean value is 4 which means respondents are clearly indicating that they require more support from the Government. They still feel less secured.

It infers that the respondents feel that they are not fully protected or secured by the government. This may be due to other traditional savings facilities like fixed bank deposits, post office savings, etc.,

**INVESTORS SATISFACTION LEVELS:**

<b>Statements</b>	<b>Number of respondents</b>	<b>Mean Values</b>	<b>Percentage of Respondents</b>
Satisfaction with the services provided by the agents	303	4	60.6

Investors are satisfied with the services provided by the agents, as is indicated by the higher mean level of four. Majority, more than 60% are giving favorable response towards agents satisfaction, which infers that agents services are almost meeting the needs of the mutual fund investors as per the requirements.

**PART - II**

**INVESTORS RISK PERCEPTION WHILE INVESTING IN MUTUAL FUNDS:**

Research on mutual fund is based on modern finance theory which is based on the assumption that decision to purchase individual financial asset should be based on the investors' belief regarding the future risk and return of the assets. Hence most research in this area has been restricted to the measurement of risk and return.

Ferson and Schadt (1996) were the first to explore the effects of incorporating lagged information variables in the analysis of investment performance, an approach that they



called conditional performance evaluation. They found evidence that risk exposures of mutual funds change in response to public information on the economy.

Determinants of risk attitudes of individual investors are of great interest to researchers and academicians alike. The area which focuses on individual attributes, psychological or otherwise influencing financial and investment practices is termed as behavioral science (Nidhi, 2002).

#### **PATTERN OF ANALYSIS FOR PROFILING INVESTOR ATTITUDE TO RISK:**

For this purpose of analysis, the study consists of statements that would reflect the risk perception of the investors. Some statements were to be answered on a 3 point and some on a 5 point Likerts scale, where 5 represents that completely agree: 4- agree: 3- neutral: 2- disagree: 1- completely disagree of the statement given. The characteristics covered in the questionnaire are risk attitude and risk sensitivity. The opinions of respondents were then be tabulated to arrive at weighted average score.

The results have been interpreted by dividing 5 points into the following categories.

5- Very high risk aversion

4- High risk aversion

3- Average risk aversion

2-Low risk aversion

1- Very low risk aversion.

The above categorization (Paun, C., I.Musetescu, and A. Draghici: 2008) enables the researcher to interpret risk aspect more effectively in order to arrive at risk profile of sample mutual fund respondents.

Risk Tolerance = 5 – weighted mean score of risk aversion.

The following classification for risk tolerance is given:

5- Very high risk tolerance

4- High risk tolerance

3- Average risk tolerance

2- Low risk tolerance

1- Very low risk tolerance.

The responses of the sample when analysed indicated the risk profile of the investors. Since every statement is analysed individually with weighted average score felt with the help of standard deviation.

#### **PROFILING INVESTOR ATTITUDE TO RISK:**

<b>SL. No.</b>	<b>Statements</b>	<b>Weighted Mean</b>	<b>S.D.</b>
1.	Mutual funds / Mutual fund products are becoming market friendly	1.97	0.95
2.	Opinion on investment in mutual funds with unexpected surplus in future	2.32	1.00
3.	Preference of investment of surplus in banks or post office savings schemes instead of investing in Mutual funds	2.39	1.03
4.	Mutual funds lack the procedural simplicity and liquidity and are beyond the comprehension of common man.	2.59	1.05
5.	Government support and structural reforms will attract more investors to Mutual Funds in future.	2.18	1.09
6.	Regulatory environment of Mutual funds will improve in future	2.32	1.06
7.	The quality of investment company services in Mutual funds will improve in future	2.33	1.04
8.	Products offered by Indian Mutual Funds are in line with our many needs and expect more innovative products from Mutual Funds industry in the near future.	2.50	1.04
9.	It will take a very few years for Indian Mutual Funds industry to win the confidence of investors and give a real return in terms of yield and quality service.	2.29	1.09
10.	One of the main objectives of investing in Mutual Funds is tax	2.26	1.09

	incentives.		
11.	Liquidity in Mutual fund is an important aspect while selecting Mutual fund.	2.28	1.02
12.	Capital appreciation is one of the most important criteria for investing in Mutual Fund.	1.86	0.87
13.	Stable income is always preferred.	2.18	0.86
14.	Disclosure of scheme's NAV on every trading day influences the investors.	2.28	0.91
15.	Higher the performance of the scheme better is the performance of Mutual Fund.	2.32	1.07
16.	NAV fluctuations do not encourage the investors to invest.	2.56	1.14
17.	Continuous increase in NAV signifies growth in investment.	2.31	1.06
18.	NAV is the most important criteria to be considered in selection of Mutual Fund.	2.43	1.04
19.	Completely new and innovative scheme attract more investors.	2.37	1.06
20.	Listing of open ended schemes on stock exchange facilitates better trading of Mutual fund.	2.32	1.05

The above table shows, it is evident that the sample respondents have a weighted average of 2.5 which is between 2 and 3 on the five point scale and can be interpreted on the basis of above given categorization as the respondents being comparatively in average risk averse. The risk tolerance of the sample respondents are 1.05, which can be interpreted from the classification as being between very low and low risk tolerance level. When the standard deviation of the table are analysed it is evident that there is low variance in the responses to the statement i.e., “Stable income is always preferred” indicating that almost all the respondents concur with the statement given followed by the statement “capital appreciation is one the most important criteria for selection of mutual funds”.

**TESTING SIGNIFICANCE OF DEMOGRAPHIC VARIABLES ON RISK PERCEPTIONS OF RESPONDENTS:**

Under this part of analysis an attempt is made to understand the significant impact of demographic variables on risk perception by adopting null hypotheses.

Null Hypothesis 1: There is no significant difference between the demographic profile and risk perception by adopting null hypothesis.

**TABLE 6.2: SHOWING T VALUES TO TEST THE SIGNIFICANCE OF DEMOGRAPHIC FACATORS ON RISK PERCEPTION:**

Sl. No.	Variable	Group	No. of Respondents	t-value
1	Gender	Male	336	63.187**
		Female	164	
2	Age	25-35	249	41.886**
		35-45	116	
		45-55	103	
		55-65	29	
		>65	3	
3	Academic Qualification	School final	19	74.414**
		Graduate	192	
		Post-graduate	186	
		Professional degree	103	
4	Annual Income	1.5-2.5	270	40.226**
		2.5-3.5	139	
		3.5-4.5	45	
		>4.5	46	
5	Occupation	Professional	82	74.073**
		Salaried	341	
		Business	69	
		Retired	8	
6	Nationality	Indian	493	192.791**
		NRI	7	
7	Marital Status	Married	291	39.017**
		Unmarried	182	
		Divorced	10	
		Widow	3	
		Widower	6	

		Separated	8	
8	Economic Status	Single income	367	45.275**
		Spouse's additional income	76	
		Other income	57	
9	Age of children	None	200	22.927**
		Kids	93	
		School going	148	
		Grown ups	46	
		Married	13	

It is evident from the above table No. 6.3, that there exists a significant difference between all demographic variables and their perception of risk, whereby, the null hypotheses stands rejected. The finding reveals that there exists variation in risk perception, as per gender, age, marital status, income level, age of children, nationality, occupation, qualification, etc.,

**INVESTORS OPINION ON SHIFTING AWAY FROM MUTUAL FUND DURING FINANCIAL CRISIS:**

Shifting to a better alternative during financial crisis?	323	4	64.6
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The mean value is 4, which indicates that investors would like to shift during crisis, as they know that most of the mutual fund schemes are directly linked to the securities market.

It is clear that investors do not feel mutual funds as the safest instrument during recession period, and they are in the opinion that they should shift to any other investment alternative.

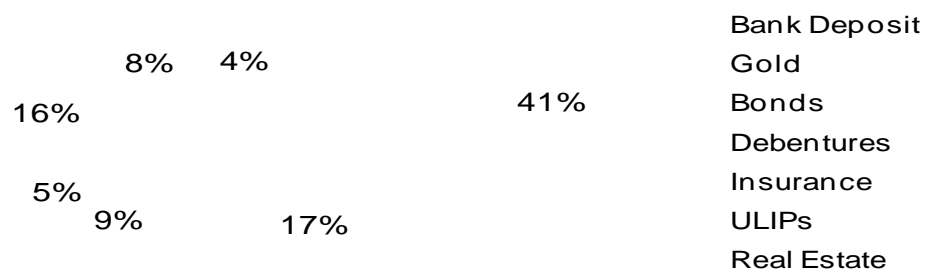
**TABLE 6.3: ALTERNATIVE INSTRUMENT DURING FINANCIAL CIRISIS:**

	No. of Respondents	Percentage of Total Respondents
Bank Deposit	203	40.6
Gold	87	17.4
Bonds	43	8.6
Debentures	24	4.8
Insurance	78	15.6
ULIPs	42	8.4
Real Estate	23	4.6
<b>Total</b>	<b>500</b>	<b>100.0</b>

Source: Computed from Primary Data.



**Alternate instrument during crisis**



The respondents’ opinion on shifting to a better and safer instrument than the mutual fund is Bank Deposits. 41% of the mutual fund investors (respondents) would like to shift from this investment avenue. The next safer instruments to shift are gold and insurance with 17% and 16% expressed the same. It implies that investors choose bank deposits

with safety, liquidity and assured returns. Gold as the next best alternative proves that gold and insurance are safer to the mutual funds.

#### **6.4 INVESTMENT CHOICE BETWEEN EQUITY AND EQUITY FUND:**

The choice of Fund that an individual investor would want the mutual fund company to invest his funds reflects the attitude of an investor towards risk. Investing in Equity/growth based Fund involves high risk with high expected returns is classified as high risk asset (Rajarajan, 2003) because it's impacted by stock market dynamics which may depreciate the value of the investors' investment if there is strong negative trend in the market.

**TABLE 6.4.1 GENDER AND INVESTMENT CHOICE BETWEEN EQUITY AND EQUITY FUND:**

	Group	Equity	Equity Fund	Total	$\chi^2$
Gender	Male	151(30.2)	185(37.0)	336(67.2)	2.91*
	Female	87(17.4)	77(15.4)	164(32.8)	
	Total	238(47.6)	262(52.4)	500(100.0)	

Majority of the investors are going for Equity Fund compared to direct Equity investment who are 262(52.4). Majority of males nearly 30% who are investing in Equity Fund and majority of the females nearly 17% of the total respondents are investing in Equity directly.

It infers that majority of the males have awareness of Equity Fund and it's advantages or may be they are advised from Financial Planners. The reason for Female selecting Equity may be due to lack of knowledge about Equity Funds. It may also be inferred that the investment by females may be only an additional to the main investment. So, they may be trying to take risk.

**TABLE 6.4.2: DEMOGRAPHIC FACTORS AND CHOICE OF EQUITY/EQUITY FUND:**

	Group	Equity	Equity Fund	Total	$\chi^2$
Age	25-35	115(23.0)	134(26.8)	249(49.8)	7.66
	35-45	47(9.4)	69(13.8)	116(23.2)	
	45-55	60(12.0)	43(8.6)	103(20.6)	
	55-65	15(3.0)	14(2.8)	29(5.8)	
	>65	1(0.2)	2(0.4)	3(0.6)	
	Total	238(47.6)	262(52.4)	500(100.0)	
Academic Qualification	School final	6(1.2)	13(2.6)	19(3.8)	2.11
	Graduate	94(18.8)	98(19.6)	192(38.4)	
	Post-graduate	88(17.6)	97(19.4)	185(37.0)	
	Professional degree	50(10.0)	54(10.8)	104(20.8)	
	Total	238(47.6)	262(52.4)	500(100.0)	

It infers that all the age group of the investors is choosing either Equity or Equity Fund. It is proved that all respondents irrespective of their age are opting equally in both the options almost equally. Similarly irrespective of academic qualification, choice of equity and equity fund is observed.

It infers that irrespective of the qualification, the investors are choosing Equity and Equity Fund. Qualification plays no significant role in choosing the type of fund or direct investment in Equity.

**TABLE 6.4.3: ANNUAL INCOME AND CHOICE OF EQUITY/EQUITY FUND:**

	Group	Equity	Equity Fund	Total	$\chi^2$
Annual Income	1.5-2.5	121(24.2)	149(29.8)	270(54.0)	13.29**
	2.5-3.5	62(12.4)	77(15.4)	139(27.8)	
	3.5-4.5	33(6.6)	12(2.4)	45(9.0)	
	>4.5	22(4.4)	24(4.8)	46(9.2)	
	Total	238(47.6)	262(52.4)	500(100.0)	



Investors with income between 1.5 and 2.5 lakhs income per anum are going for Equity Fund who are 149(29.8%) investors out of total 270(54.0%) respondents in that Income group.

Similarly those who earn income between 2.5 and 3.5 lakhs are also opting for Equity Fund who are 77(15.4%) out of total 139 earners of this group.

The investors with income between 3.5 and 4.5 lakhs are opting for Equity rather than Equity fund.

It infers that people with higher income group are going for Equity and are likely to take risk than regular returns.

**TABLE 6.4.4.: DEMOGRAPHIC FACTORS AND CHOICE OF EQUITY/EQUITY FUND:**

	Group	Equity	Equity Fund	Total	$\chi^2$
Occupation	Professional	40(8.0)	42(8.4)	82(16.4)	3.62
	Salaried	169(33.8)	172(34.4)	341(68.2)	
	Business	26(5.2)	43(8.6)	69(13.8)	
	Retired	3(0.6)	5(1.0)	8(1.6)	
Marital Status	Married	137(27.4)	154(30.8)	291(58.2)	8.91
	Unmarried	82(16.4)	100(20.0)	182(36.4)	
	Divorced	8(1.6)	2(0.4)	10(2.0)	
	Widow	3(0.6)		3(0.6)	
	Widower	4(0.8)	2(0.4)	6(1.2)	
	Separated	4(0.8)	4(0.8)	8(1.6)	
Economic Status	Single income	181(36.2)	186(37.2)	367(73.4)	4.05
	Spouse's additional income	37(7.4)	39(7.8)	76(15.2)	
	Other income	20(4.0)	37(7.4)	57(11.4)	
Age of children	None	94(18.8)	106(21.2)	200(40.0)	4.65
	Kids	47(9.4)	46(9.2)	93(18.6)	
	School going	76(15.2)	72(14.4)	148(29.6)	
	Grown ups	16(3.2)	30(6.0)	46(9.2)	
	Married	5(1.0)	8(1.6)	13(2.6)	
	Total	238(47.6)	262(52.4)	500(100.0)	

There is no association between marital status, income, economic status and the age of their children and choosing Equity or Equity Fund. No factor influences in different ways. In general majority are favorable towards equity fund rather than direct investment in equity.

It infers that investors are well aware of the features of equity fund and understood the importance of portfolio of the investment. Investors are risk averse and are trying to minimize risk by opting Equity Fund.

### **6.5 REASONS FOR PREFERENCE OF EQUITY FUND TO EQUITY:**

The objective is to find out whether there is any association between demographic profile and reason for choosing Equity Fund. Also to find out the reasons for which majority are choosing Equity fund, to understand the risk perception level.

**TABLE 6.5.1.GENDER AND REASONS FOR SELECTING EQUITY FUND:**

	Group	Equity	Equity Fund				Total	$\chi^2$
			Safety	Liquidity	Easy to Understand	Guaranteed Returns		
Gender	Male	151(30.2)	71(14.2)	60(12.0)	27(5.4)	27(5.4)	336(67.2)	6.81
	Female	87(17.4)	25(5.0)	20(4.0)	14(2.8)	18(3.6)	164(32.8)	
	Total	238(47.6)	96(19.2)	80(16.0)	41(8.2)	45(9.0)	500(100.0)	

Both male and female respondents are opting Equity Fund for the same reason that is Safety.

Majority of the males 71(14.2) out of 336(67.2) and female 25 out of 164(32.8) are opting Equity Fund for safety only. The next important reason given is liquidity.

This infers that Mutual fund investors understand that Equity Fund is considered as safety alternative compared to the Equity. Investors are trying to hedge risk.

**TABLE 6.5.2: DEMOGRAPHIC FACTORS AND REASONS FOR CHOOSING EQUITY FUND:**

	Group	Equity	Equity Fund				Total	$\chi^2$
			Safety	Liquidity	Easy to Understand	Guaranteed Returns		
			51(10.2)	26(5.2)	26(5.2)	31(6.2)	249(49.8)	54.03**
Age	35-45	47(9.4)	26(5.2)	35(7.0)	5(1.0)	3(0.6)	116(23.2)	
	45-55	60(12.0)	15(3.0)	14(2.8)	5(1.0)	9(1.8)	103(20.6)	
	55-65	15(3.0)	4(0.8)	5(1.0)	3(0.6)	2(0.4)	29(5.8)	
	>65	1(0.2)	-	-	2(0.4)	-	3(0.6)	
	Total	238(47.6)	96(19.2)	80(16.0)	41(8.2)	45(9.0)	500(100.0)	

Investors, who are opting for Equity 238 (47.6) of the total respondents, are choosing for safety. There is an association between age and attitude towards safety and liquidity.

The investors who are in the age group of 25-35 investing for safety are 51(10.2%) out of the total 249(49.8%). These respondents maybe at the beginning of their investment age are keen about safety. Investors in the age group of 35-45 are opting Equity Fund for the reason of Liquidity who are 35(7.0%) out of 116(23.2%) respondents.

Investors who are in the age group of 45-55 again take care of Safety while investing in Equity Fund. These investors who are again near to the retirement age may be planning and investing taking safety as their first criteria.

**TABLE 6.5.3: DEMOGRAPHIC FACTORS AND REASONS FOR SELECTION OF EQUITY FUND:**

	Group	Equity	Equity Fund					$\chi^2$
			Safety	Liquidity	Easy to Understand	Guaranteed Returns	Total	
Academic Qualification	School final	6(1.2)	6(1.2)	5(1.0)	1(0.2)	1(0.2)	19(3.8)	27.75**
	Graduate	94(18.8)	38(7.6)	32(6.4)	18(3.6)	10(2.0)	192(38.4)	
	Post-graduate	88(17.6)	25(5.0)	27(5.4)	15(3.0)	30(6.0)	185(37.0)	
	Professional degree	50(10.0)	27(5.4)	16(3.2)	7(1.4)	4(0.8)	104(20.8)	
	Total	238(47.6)	96(19.2)	80(16.0)	41(8.2)	45(9.0)	500(100.0)	

Majority of the graduates are opting for Safety with 38(7.6%) out of 192(38.4%). Post-graduate investors are mainly opting Equity Fund for the reason of Liquidity are 27(5.4%) out of total 185(37.0%) respondents. It infers that less educated and Professional degree investors are choosing Equity fund for the reason of Safety whereas graduates and Post graduates are choosing for both Safety and Liquidity. Graduates and post graduates who have well enough information about the safety and liquidity the Equity fund possess. It infers that professionals are too busy to understand that mutual funds are liquid assets.

**TABLE 6.5.4: ANNUAL INCOME AND SELECTION CRITERIA OF EQUITY****FUND:**

	Group	Equity	Equity Fund				Total	$\chi^2$
			Safety	Liquidity	Easy to Understand	Guaranteed Returns		
Annual Income	1.5-2.5	121(24.2)	64(12.8)	38(7.6)	23(4.6)	24(4.8)	270(54.0)	24.19*
	2.5-3.5	62(12.4)	23(4.6)	31(6.2)	9(1.8)	14(2.8)	139(27.8)	
	3.5-4.5	33(6.6)	2(0.4)	5(1.0)	3(0.6)	2(0.4)	45(9.0)	
	>4.5	22(4.4)	7(1.4)	6(1.2)	6(1.2)	5(1.0)	46(9.2)	
	Total	238(47.6)	96(19.2)	80(16.0)	41(8.2)	45(9.0)	500(100.0)	

Investors with income between 1.5 and 2.5 lakhs are choosing Equity Fund for the reason of Safety where as investors with higher income of 2.5 to 3.5 lakhs are opting Equity fund for the purpose of Liquidity who are 31(6.2) out of 139(27.8) total investors. It infers that majority of the low income group investors prefer Safety and investors with higher income group prefer Liquidity. The reason may be the investors who are in large income group investing in Mutual Funds is only an additional investment along with any other fixed period instrument, other than Mutual funds.

**TABLE 6.5.5: OCCUPATION AND SELECTION CRITERIA OF EQUITY****FUND:**

Character	Group	Equity	Equity Fund				Total	$\chi^2$
			Safety	Liquidity	Easy to Understand	Guaranteed Returns		
Occupation	Professional	40(8.0)	13(2.6)	17(3.4)	2(0.4)	10(2.0)	82(16.4)	51.34**
	Salaried	169(33.8)	77(15.4)	53(10.6)	22(4.4)	20(4.0)	341(68.2)	
	Business	26(5.2)	6(1.2)	9(1.8)	14(2.8)	14(2.8)	69(13.8)	
	Retired	3(0.6)		1(0.2)	3(0.6)	1(0.2)	8(1.6)	
	Total	238(47.6)	96(19.2)	80(16.0)	41(8.2)	45(9.0)	500(100.0)	

Professional investors are choosing Equity Fund for Liquidity with 17(3.4%) out of 82(16.4%) investors. Professionals among the investors are in favour of Equity Fund

for Liquidity. Fixed income investors are opting for Safety who are 77(15.4%) out of 341(68.2%) respondents. Business people who do not have much knowledge and time to think about, prefer Equity Fund for the reason that they easily understand that Equity Fund is somewhat safer compared to direct Equity investment.

It infers that Professionals prefer Liquidity & fixed income investors prefer Safety and Businessmen prefer because it is easily understandable product, who may be less qualified.

**TABLE 6.5.6: MARITAL STATUS AND SELECTION CRITERIA OF EQUITY FUND:**

Character	Group	Equity	Equity Fund				Total	$\chi^2$
			Safety	Liquidity	Easy to understand	Guaranteed Returns		
	<b>Married</b>		<b>56(11.2)</b>	<b>56(11.2)</b>	<b>21(3.4)</b>	<b>25(5.0)</b>	291(58.2)	42.12**
	Unmarried	82(16.4)	38(7.6)	24(4.8)	20(4.0)	18(3.6)	182(36.4)	
	Divorced	8(1.6)	-	-	-	2(0.4)	10(2.0)	
	Widow	3(0.6)	-	-	-	-	3(0.6)	
	Widower	4(0.8)	2(0.4)	-	-	-	6(1.2)	
	Separated	4(0.8)			4(0.8)	-	8(1.6)	
	<b>Total</b>	<b>238(47.6)</b>	<b>96(19.2)</b>	<b>80(16.0)</b>	<b>41(8.2)</b>	<b>45(9.0)</b>	<b>500(100.0)</b>	

Majority of the married are equally opting for both safety as well as liquidity. Both are 56 each i.e. 11.2%, since they have many requirements to meet as well as responsibilities out of which they try to avoid risk.

Unmarried are mostly opting for the reason of Safety who are 38(7.6%) out of the total 182(36.4%) unmarried respondents. It infers that unmarried investors always look for Safety in returns when they are investing in any type of Fund.

### INVESTORS VIEW ON RISK PERCEPTION:

Income based Funds are also not risk free investments. The investor should understand the associated risk from the dimension of credibility of the credibility of the institute lending debentures and the yield of the debentures. If the return is well above the market rate it might indicate lending policy of the firm involving greater risk.

Closed ended funds are less risky and like to invest in such funds	2.64	2.13
Investing in Mutual Funds is less risky than investing in shares.	2.54	1.16

Investors are of the opinion that by investing in mutual funds they can minimize risk to some extent. They also believe that mutual funds are less risky than shares and also close-end funds than open-end funds.

This infers that people are in investing in mutual funds to avoid or minimize risk to some extent and they are also expecting better returns next to equity shares.

Risk involved in different schemes is directly related to return of scheme.	2.43	1.00
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Investors believe that different schemes of mutual funds are both return as well as risk oriented. They do understand that both go together.

**RESPONDENTS VIEW TOWARDS SELECTION OF FUNDS CONSIDERING RISK:**

<b>Statements</b>	<b>Risk Perceived</b>
Liquidity in Mutual fund is an important aspect while selecting Mutual fund.	0.001 (0.987)
Capital appreciation is one of the most important criteria for investing in Mutual Fund.	0.094* (0.036)
Stable income is always preferred.	0.027 (0.545)
Fringe benefits like free insurance, free credit give favorable consideration while selecting Mutual Fund.	-0.024 (0.595)
Agency network/infrastructure influences the selection of Mutual Fund.	0.094* (0.035)
Brand name or Scheme's reputation is one of the influencing factors while selecting the scheme.	-0.112* (0.013)

The above table shows that there are many factors which influence while selecting a particular fund like capital appreciation, brand name and agency network. Some factors like regular returns, fringe benefits offered by the schemes and liquidity are not considered as important while selecting a fund.

This infers that safety measures are taken but not the simple benefits like liquidity and regular returns. Investors are giving criteria towards less risky investments or schemes while selecting any type of scheme.

**INVESTORS ATTITUDE TOWARDS RISK RELATION TO THE RETURN AND PERFORMANCE:**

Banks are offering 10.55% On 500 days and 400 days deposits? Opinion on that?	209	3	58.0
Satisfaction towards the Mutual Funds return and Performance.	275	3	55.0

The above statement is to find out the risk exposure of the investors and opinions are taken at 5 point scale. The respondents are almost equally of the opinion regarding



mutual funds as a safer instrument than bank deposit. Nearly 60% responded to the answer neutral. This reveals that mutual fund investors still do not have strong opinion that investing in funds is better in many ways than the bank deposits.

**INVESTORS CHOICE BETWEEN ADRs/GDRs:**

Do you feel buying ADRs/GDRs is more safe than Mutual Funds?	154	2	30.8
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Investors are not positive towards the safety of ADRs and GDRs. They prefer mutual funds to these global depository receipts, which may fluctuate along with the international exchange rates.

This infers that mutual fund investors are interested in mutual funds, both residents and also NRIs.

**INVESTORS ATTITUDE TOWARDS RISK INVOLVED IN EACH SCHEME:**

I am interested in short-term so that I can change/adjust the portfolio according to the market	301	4	60.2
Risk involved in different schemes is directly related to return of scheme.	285	3	57.00
It is managed professionally by fund managers. So I need not again take the advice of financial planners. I have to see only whether it matches my needs or objectives or not	240	3	48.0
Do you feel that debt funds are safer than equity funds?	215	3	43.0

The above table is to find out the investors opinion on risk avoiding by investing in mutual funds. The scale measures all the above statements with three points in Likert scale. Point 3 says that the investors are trying to avoid risk by investing in short term. The investors also agree that their money is being professionally managed and returns and risk are associated together.

This infers that the respondents would like to choose mutual funds as a risk averse instrument comparatively to the shares or other investments.

**Conclusion:**

The disclosure and corporate governance norms need to be continuously upgraded to give the transparency to the investors. SEBI, RBI and Ministry of Company Affairs and Finance would definitely bring back the investor confidence. Low level of awareness and financial literacy pose the biggest challenge to channelize the household financial savings into mutual funds. As per the Boston statistics, analysis, most of the AMCs are focusing only on the top 20 cities.

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