A Study on Investors' Perception Towards Mutual Funds With Due Reference to 'SBI Mutual Funds'

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Abstract

A Mutual fund is the ideal investment vehicle for today's complex and modern financial scenario. There has been growing importance of mutual fund investment in India, when compared with other financial instruments. Investments in mutual funds are safer and also yields more returns on the portfolio investment. Mutual fund are said to be the best channels for mobilizing the funds of the small investors and contribute significantly to the capital markets. The present study explains briefly about the mutual fund industry. The study also helps to understand the role of investment pattern and preferences of investors behind investing in mutual fund. Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. Being a part of financial markets although mutual funds industry is responding very fast by understanding the dynamics of investor's perception towards rewards, still they are continuously following this race in their endeavor to differentiate their products responding to sudden changes in the economy. Thus, it is high time to understand and analyze investor's perception and expectations, and unveil some extremely valuable information to support financial decision making of mutual funds. In few years Mutual Fund has emerged as a tool for ensuring one's financial well being. Mutual Funds have not only contributed to the India growth story but have also helped families tap into the success of Indian Industry. As information and awareness is rising more and more people are enjoying the benefits of investing in mutual funds. In India, when thinking about investment, the first and foremost challenge that all investors face is an overabundance of options. From bonds to fixed deposits, gold to stocks, money market securities and a combination of all these, each has its set of benefits and challenges. Furthermore, investors need to consider the time horizon of their investments, risk appetite and returns based on the goals they want to achieve. Mutual Funds are having so many advantages like; Comparatively higher Return on Investment (ROI), Managed by experts, Built-in Diversification, Ease of investing and monitoring, Tax Benefits and Liquidity and Systematic Withdrawal Plan. The analysis and advice presented in this paper is based on market research on the saving and investment practices of the investors and preferences of the investors for investment in Mutual Funds. The findings of the study mentioned in the paper will help to know about the investors' Preferences in Mutual Fund means as to whether they prefer any particular Asset Management Company (AMC), Which type of Product they prefer, Which Option (Growth or Dividend) they prefer or Which Investment Strategy they follow (Systematic Investment Plan or One time Plan).

Keywords*: Mutual Fund, Investors, Perception, NAV, SIP*

Introduction

A mutual fund is an investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets (Bhowal & Paul, 2013). These funds are managed by professional Fund Managers. An investor owned units, which basically represent the portion of the fund that the investor hold, based on the amount invested. Therefore, an investor can also be known as a unit holder. The increase in value of the investments along with other incomes earned from it is then passed on to the investor /unit holders in proportion with the number of units owned after deducting applicable expenses, taxes. The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. There are several benefits attached to mutual fund investment which makes investment attractive. Mutual fund helps investors by providing them with qualified fund managers (Mridula & Raju, 2006; Paul T. 2014). In order to reduce this risk the managers keep their eyes constantly on the investment. They invest in different types of securities such that they do not move in a similar fashion. The cost of running a mutual fund is divided between larger pools of money and hence mutual funds are able to offer a lower cost alternative of managing funds (Paul, 2014). Mutual fund is highly regulated. SEBI forces transparency on the mutual funds, which helps the investors make correct choice. SEBI requires mutual fund to disclose their portfolio at least six monthly which helps the investors to check whether the fund is investing with its objectives or not. The investor prefers safety of the principal amount, regular returns, long-term growth, income tax benefits, etc. The mutual fund schemes have been designed based on the preferences of the investors, changes in stock/capital market, and returns on various instruments and changing profile of the investors. The schemes are framed and conceptualized by the top management of the mutual funds and marketed by their branches and through the agents. The success of a mutual fund depends upon the confidence level of the investors. UTI has established a marketing network of branches, chief representatives, collection centres and franchise offices throughout the country. The marketing network of UTI is its unique strength as compared to other mutual fund houses. The majority of the new investors don't understand the concept, operations and advantages of investment in mutual funds before investing. The ignorance of the investors about mutual funds coupled with aggressive selling by promising higher returns to the investors have resulted into loss of investors' confidence due to inability to provide higher returns (Paul, 2014; KPMG,2013).

Literature Review

WARREN BUFFET:(2000) Pradip kar I. Natarajan, J.P. Singh and others Estimated that only 9% of the Indian households invest in shares, around 12% invest in Mutual funds & concluded on certain Investment attributes. They concluded that unless the needs of the investors are critically examined and identified, their savings cannot be transformed into productive capital. This will help to understand the investor behaviour, which can have managerial implications for policy makers.

Jambodekar (1999) conducted a study to assess the awareness of mutual funds among the investors to identify the information sources influencing the buyer decision and the factors influencing the choice of a particular fund. The study revealed that income schemes and open-ended schemes are preferred over growth schemes and close-ended schemes during the prevalent market conditions. Investors look for safety of principal, liquidity and capital appreciation in order

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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 the major differentiating factor in the selection of mutual funds.

Kannadashan (2006) examined the factors that influence the retail investors decision in investing and observed that the decision of the retail investors is based on various dependent variables viz., gender, age, marital status, educational level, income level, awareness, preference and risk bearing capacity. Paul & Garodia (2012) highlighted expectation level of retail investors from various product dimensions of investment. They observed that a demographic variable like age, sex, occupation, education level etc., has significant impact on the investment pattern. The level of expectation from investment is different among various categories of investors. Another study by Paul (2014) revealed the gap in the communication level between the mutual fund houses and the retail investors. The study concluded that the mutual fund houses have failed to meet the expectation of the investors.

Concept of mutual fund

"Mutual funds are popular among all income levels. With a mutual fund, we get a diversified basket of stocks managed by a professional". A mutual fund is a professionally-managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in stocks, bonds and other securities.

Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds, and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund. Mutual funds invest in a vast number of securities, and performance is usually tracked as the change in the total market cap of the fund derived by the aggregating performance of the underlying investments.

A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.

A mutual fund is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities.

Mutual funds give small or individual investors access to diversified, professionally managed portfolios at a low price.

Mutual funds are divided into several kinds of categories, representing the kinds of securities they invest in, their investment objectives, and the type of returns they seek.

Mutual funds charge annual fees (called expense ratios) and, in some cases, commissions, which can affect their overall returns.

The overwhelming majority of money in employer-sponsored retirement plans goes into mutual funds.

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Advantages of mutual funds:

1. *Liquidity*

It is relatively easier to buy and exit a mutual fund scheme. Mutual fund transactions happen only once in a day after the fund house releases that day's NAV.

2. *Diversification*

Mutual funds have their share of risks as their performance is based on the market movement. Hence, the fund manager always invests in more than one asset class (equities, debts, money market instruments, etc.) to spread the risks. It is called diversification. This way, when one asset class doesn't perform, the other can compensate with higher returns to avoid the loss for investors.

3. *Expert Management*

A mutual fund is favoured because it doesn't require the investors to do the research and asset allocation. A fund manager takes care of it all and makes decisions on what to do with your investment. The fund manager's reputation in fund management should be an essential criterion to choose a mutual fund. The expense ratio (which cannot be more than 1.05% of the AUM guidelines as per SEBI) includes the fee of the manager too.

4. *Less cost for bulk transactions*

If mutual funds are bought multiple units at a time, the processing fees and other commission charges will be less compared to when you buy one unit.

5. *Invest in smaller denominations*

By investing in smaller denominations (SIP), investors get exposure to the entire stock. This reduces the average transactional expenses and investors benefit from the market lows and highs. Regular (monthly or quarterly) investments, as opposed to lump sum investments, give investors the benefit of rupee cost averaging.

6. *Suit your financial goals*

There are several types of mutual funds available in India catering to investors from all walks of life. A person with a lower income can also invest in mutual funds. It is easy to find a mutual fund that matches income, expenditures, investment goals and risk appetite.

7. *Cost-efficiency*

There is the option to pick zero-load mutual funds with fewer expense ratios. The expense ratio of different mutual funds can be checked and investors can choose the one that fits in their budget and financial goals. Expense ratio is the fee for managing the fund. It is a useful tool to assess a mutual fund's performance.

8. *Quick & painless process*

Investors can start with one mutual fund and slowly diversify. These days it is easier to identify and handpicked funds most suitable for them. Tracking mutual funds will not take any extra effort from their side. The fund manager, with the help of his team, will decide when, where and how to invest. In short, their job is to beat the benchmark and deliver investors maximum returns consistently.

9. *Tax-efficiency*

Investors in mutual funds can invest up to Rs 1.5 lakh in tax-saving mutual funds which is covered under Section 80C of the Income Tax Act, 1961. Though a 10% tax on Long-Term Capital Gains (LTCG) is applicable for returns above Rs.1 lakh after one year, they have consistently delivered higher returns than other tax-saving instruments like FD in recent years.

10. *Automated payments*

It is common to forget or delay SIPs or prompt lump sum investments due to any given reason. Investors can opt for paperless automation with their fund house or agent. Timely email and SMS notifications help to counter this kind of negligence.

11. *Safety*

There is a general notion that mutual funds are not as safe as bank products. This is a myth as fund houses are strictly under the purview of statutory government bodies like SEBI and AMFI. One can easily verify the credentials of the fund house and the asset manager from SEBI. They also have an impartial grievance redressal platform that works in the interest of investors.

12. *Systematic or one-time investment*

Investors can plan their mutual fund investment as per their budget and convenience. For instance, starting SIP (Systematic Investment Plan) on a monthly or quarterly basis suits investors with less money.
On the other hand, if they have surplus amount, they can go for a one time lump sum investment.
Systematic Investment Plan (SIP) is a financial planning tool that helps you to create wealth, by investing small sums of money every month, over a period of time. A Systematic Investment Plan (SIP) is a vehicle offered by mutual funds to help investors invest regularly in a disciplined manner.
Systematic Transfer Plan(STP) An STP is a plan that allows investors to give consent to a mutual fund to periodically transfer a certain amount / switch (redeem) certain units from one scheme and invest in another scheme of the same mutual fund house. Returns in STPs are consistent as money invested in debt mutual fund schemes earns interest till the time the whole amount is fully transferred to an equity fund. On the other hand, SIPs helps you in saving regularly and provides you with long term capital gains.
A debt fund is a Mutual Fund scheme that invests in fixed income instruments, such as Corporate and Government Bonds, corporate debt securities, and money market instruments etc. that offer capital appreciation. Debt funds are also referred to as Fixed Income Funds or Bond Funds.

A sector fund is an investment fund that invests solely in businesses that operate in a particular industry or sector of the economy. Sector funds are commonly structured as mutual funds or exchange traded funds (ETFs).

Recent observations:

The country's mutual fund industry has a huge growth potential as Indian households' savings amount to Rs 20-30 lakh crores.

Witnessing a gradual shift in household savings as dominance of physical savings (real estate and gold) is going down, while share of financial savings is growing.

India has a very saving culture as Indians save Rs 20-30 lakh crores every year, which indicates immense scope for channelizing this saving into MF industry.

According to a PTI report that cited Securities and Exchange Board of India, mutual funds made an overall investment of approx Rs 39,500 crores from January to June 2020, a four-fold increase from the last year. From January to June 2019, equity mutual fund managers invested around Rs 8,735 crores into stocks.

Inflows into equity mutual fund schemes have seen a 95.5% drop in June 2020 to Rs 240.55 crores. The inflow in May was Rs 5,256.52 crores.

Inflows into debt fund schemes stood at Rs 2,861.68 crores as compared to Rs 63,665.54 crores in May 2020. Overnight funds and credit risk funds have shown improvement on a month on month basis.

The number of SIP accounts, however, has risen sequentially. The total number of SIP accounts stood at 3.22 crores accounts compared to 3.1 crores accounts in May.

Overview of SBI Mutual Funds

The SBI Mutual Fund Trustee Company Private Limited was set up as a trust under the Trust Act of 1882. This Trust controls the SBI Mutual Fund, one of India's largest and oldest MFs. The SBI Mutual Fund is a Joint Venture (JV) between one of India's largest and most profitable banks, the State Bank of India, and Amundi, which is a French asset management company.

The SBI Mutual Fund was set up on June 29, 1987 and was incorporated on February 7, 1992. It was India's second Mutual Fund after the Unit Trust of India started operations in 1963. In July 2004, the SBI decided to divest 37% of the Fund and roped in Amundi as a partner. Amundi is an asset management major created jointly by credit Agricole and Societe Generale.

SBIMF has many firsts to its name. It was the first Indian Mutual Fund player to launch a 'Contra' fund, called the SBI Contra Fund. In 2013, SBI Mutual Fund India acquired Daiwa Mutual Fund, part of the Daiwa Group of Japan. In addition, SBI Mutual fund launched an offshore fund, which is called Resurgent India Opportunity Fund.SBI Mutual Fund has been managing India's offshore funds very effectively. SBI's Funds Management was responsible for handling funds in the first place. Its goal is to deliver its investors correct investment long-term in a long ending list of Indian companies.

SBI's fund home also engages innovative approach to tackle risk and manages it by their extremely knowledgeable team and experts in case of risk management or financial situations. They also contain all types of help such as research in case of investment to outclass industry standards. SBI Mutual Fund is the first in India to launch an ESG Fund. An acronym for Environment, Social and Governance, the fund provides resources for sustainable investment in major markets. In 2015, the Employees' Provident Fund of India invested Rs 5,000 crores for the first time in a Mutual Fund in India via SBIMF Sensex ETFs or Exchange Traded Funds.

Objectives of the study

1. To find out the awareness level of the investors of mutual fund.
2. To know the preference of the portfolios.
3. To know why one has invested in SBI Mutual Funds.
4. To find out the most preferred channel.
5. To find out investors interest regarding SBI Mutual Funds.
6. To analyse the comparative study between other leading mutual funds in the present market.

Research Design

Type of research: Descriptive and analytical research. There is general feeling that descriptive studies are factual and are very simple. This is not necessarily true. Descriptive studies can be complex demanding a high degree of scientific skill on the part of the researcher. Descriptive studies are well structured. It is therefore necessary that the researcher gives sufficient thought to framing research questions and deciding the types of data to be collected and the procedure to be used for this purpose.

Population: It includes people who are investors and non investors of mutual funds.

Sample size: 50

a. *Age group*: 20-70 years

Sampling method: Non probability, convenience sampling. Non probability sampling is a subjective procedure in which the probability of selection for the population units cannot be determined. Convenience sampling, a researcher's convenience forms the basis for selecting a sample of unit. As the population is defined earlier the convenient sampling method is followed to draw the sample. In a convenient sample each member of the population has unknown and there is no equal chance of being selected. Convenient sampling technique is used in this study. The period of survey for collecting 50 questionnaires was 60 days.

Data collection tools: Both primary and secondary data are required.

Primary data is the first hand information collected directly from the respondents. The tool used here is structured questionnaire using Google forms. Primary data is collected through survey. Secondary data is obtained from internet and books

Plan of data analysis: Data analysis is done with the help of bar graphs, pie charts and using SPSS software. The collected data where analyzed and coded as per the objectives and the details of that were presented under the chapter on analysis and interpretation of data.

Limitations of the study:

Time limitation.

Some of the people were not responsive.

Possibility of error in data collection.

Possibility of error in analysis of data due to small sample size. The sample size may not adequately represent the entire market.

It was difficult to know the information about the actual working of the organisation due to COVID-19.

Due to time constraint, the sample size was restricted to 50 of the population for convenience.

Some of the respondents who were very uncommunicative and would not volunteer any information are omitted from the sample survey.

1. *Major findings of the study*

From the survey data, 70% have invested in mutual funds. 30% have not invested in mutual funds.
6% have not invested in mutual funds as they are not aware of it. 4% due to high risk involves. 20% do not specify any reason.
42% have invested in SBI mutual funds, 10% have invested in HDFC mutual funds. 10% have invested in ICICI mutual funds. 8% in AXIS mutual funds.
26% have invested in SBIMF because SBIMF is associated with the State Bank of India. 12% have invested as SBIMF has a record of giving good returns year after year. 4% have invested due to agent advice.
36% have not invested in SBIMF as they are not aware of SBIMF. 14% did not invest in SBIMF because it gives lesser returns compared to others. 10% have not invested due to agent advice.
While investing in mutual funds, 54% preferred SBIMF, 34% preferred Reliance as their preferred AMC. 12% preferred AXIS mutual funds.
From the data, 50% of the investors opted for financial advisors as their preferred channel. 28% of the investors opted for bank and 22% opted for AMC.

Recommendations/Suggestions

As 50% chose financial advisors as their preferred channel. Mutual fund companies should give training to the financial advisors about the mutual fund schemes and its objectives as they are the main source to influence the investors.
SBIMF should create more awareness about the schemes in order to attract more investors in investing in their mutual funds. 36% did not invest in SBIMF because they are not aware about it.
People belonging to the age group of 50 and above form 12% as they can be encouraged to invest in mutual funds by providing mutual funds with lower risk.
Debt portfolio schemes can be less risky and 24% opted for schemes having debt portfolio. Debt funds can be more beneficial if the mutual fund companies can create more awareness and provide expert knowledge to increase investments in debt portfolio.
SBIMF should provide knowledge about the higher returns because 14% did not invest in SBIMF as they feel that gives fewer returns compared to others.

Conclusions:

A Mutual fund is a trust that team up the savings of Number of investors who share a common economic goal. They are investment vehicles and one can use them to invest in asset classes such as equities or fixed income. It is managed by professional fund managers. It provides risk diversification Benefits of making investment in MF are reduction of risk, liquidity, affordability, convenience flexibility and variety. Customer has to identify the best MF management companies and also the suitable schemes among the various schemes floated by the MFs.

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