# The Euphoria of Mutual Funds
## (A study on Investors Options and Opinions)

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**Abstract**

*In today's complex financial scenario, where markets for equity shares, bonds and derivatives are traversing onto the path of unprecedented maturity, the option of mutual fund investment ultimately becomes a sought after choice. The Indian financial market is turning competitive advantages to a large number of players with varied financial muscle powers and expertise of reinvestment.As mutual funds and securities investments are subject to depend on market risk, the investor should compare the risk and expected return while taking any investment decision. A mutual fund, therefore for in its rudimentary conceptualization is a collection of stocks and/or bonds, wherein in an investor hold a share, which represents a part of the fund holding thereof. It 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 money collected from a plethora of sources is invested by the fund managers in various types of securities depending on their duly specified objectives. A proportionate sharing of income earned through such investment and capital appreciation witnessed by the schemes is duly carried out*

**Introduction**

Mutual funds are fast emerging as an important investment vehicle in modern world and the concept is catching up in India. Mutual funds are the instruments, which act as a link between the investing public and the companies and are considered more secure as compared to direct investment in equity. The euphoria of mutual fund market would gain popularity in our country and their investment in mutual funds would lead to ensuring fair return to them.

Mutual fund in itself is deemed to be an institutional entity that encompasses the commonly derived and/or schematically accumulated financial goals of the community of investors. The money collected from a plethora of sources is invested by the Fund managers in various types of securities depending on their duly specified objectives. A mutual fund, therefore for in its rudimentary conceptualization is a collection of stocks and/or bonds, wherein in an investor hold a share, which represents apart of the fund holding thereof. A proportionate sharing of income earned through such investment and capital appreciation witnessed by the schemes is duly carried out. It must however be mentioned that their proportional sharing by the unit holders is governed by the number of units owned by investment option available for a common man as it provided an opportunity to invest in a diversified, yet professionally managed portfolio at a competitive (relatively low) cost.Many people simply don't have enough money to invest in a broad array of individual stocks, bonds and other assets, much less the time and energy to research monitor them for these investors mutual funds may represent the most sensible option. Investment experts recommend in growth investment such as stocks and stock funds for long-term goals where, we won't need to sell our investment for 5 years or more. For short-term, where we might sell our investment in 1 year or less, recommend fixed income funds and other liquid investments. So, finding and funding the right investment has become quite a challenge.

Indian Mutual fund industry is as old as four decades but its growth and awareness has reached the present level only since the last five years. It is the most suitable investment for the common man who invests his savings at regular intervals. It is an investment tool where the return on investments is high when compared with some other investments available in the market. It is a mature, well-developed and regulated investment vehicle. However like any other investment Mutual funds also carry a certain degree of risk. An investor therefore has to take care of his/her risk taking ability, tax issues, investment period etc. SEBI as a regulator issued the first set of regulation, governing the transparency operations and disclosures standard of mutual fund industry in 1993. They were revised in 1996. Though the industry has been operational for so long, it still suffers from shortcoming like lack of systematic evaluation of investor's requirements, designing products to suit their specific needs, lack of depth in the market, lack of proper process and lack of better services. Consolidation of this industry has gained momentum today. The industry has also realized that managing the investor's money is risky and that it has to be very cautious in its operations.

***Investors' perceptions***

The euphoria in Mutual funds investment has always been playing crucial role in the general public and investor who would like to improve their financial status. The people who invest their money in various form of investment generate ideas and views out of their day-to-day observations and their experience.

In four decades of its existence in India, the mutual fund industry has gone through several structural changes. From the days of UTI's monopoly, until 1987, when the industry was opened first to other public sector enterprises, and then to private sector players in 1993, it has come a long way. The entry of private players has galvanized the sector. Increased competition has forced industry players to focus on product innovation, market penetration, identifying new channels of distribution and last but not the least, improving investor's service. These measures have helped the industry grow significant from having assets worth Rs.47,000 crore under management in March 1993 to Rs.19.97 trillion as on 31st July, 2017.

With the industry moving up the learning curve, significant changes in the investment environment such as increased competition, ongoing reforms and increased integration of global financial markets present significant changes to mutual fund industry. This scenario however, has presented the investors a wide choice with regards to institution and the product. In this background collating and interpreting the perceptions of investors who have invested in the HDFC and Reliance mutual funds becomes necessary in order to know the extent to which the HDFC and Reliance mutual funds have been able to meet and satisfy the risk-return profile of its clientele.

Keeping this in view the survey was conducted for 150 employees who have the investment one or the other. In the light of the above the respondent opinions are enquired and the perceptions of the employees has been analyzed and interpreted with the help of few questions framed in the questionnaire.

The differences in the personal characteristics of individual investors influence the choice and preference for investments. Hence, to understand the nature and characteristics of respondents covered under the study, an analysis of the information regarding their socio-economic back ground is carried out in this paper.

**Age:** It plays a vital role in making decisions and quality thereof. Investment habits of the people across the age groups will not be the same. It will help to understand the age profile of our respondents.

**Table No.1: Age of the Respondents**

| Age | Number of Respondents | Percentage |
|---|---|---|
| 25-34 | 72 | 48 |
| 35-44 | 45 | 30 |
| 45-54 | 17 | 11 |
| 55-64 | 10 | 7 |
| 65 above | 6 | 4 |
| **Total** | **150** | **100** |

The table 1 reveals that the highest percentage of respondents 48 from 25-34 age group, 30 percent respondents from 35-44 age group, 11 percent respondents are from 45-54 age group, 7 percent respondents are from 55-64 age group and the least percentage of respondents are from the age group of above 65 years.

**Education:** Ability to take informed decisions would largely depend on the education level. Investment decisions would undoubtedly be affected by the investor's ability to scan around and find the right opportunity.

**Table No.2 Education of the Respondents**

| Education | Number of Respondents | Percentage |
|---|---|---|
| Undergraduate | 21 | 14 |
| Graduate | 69 | 46 |
| Post Graduate | 45 | 30 |
| Illiterate | 15 | 10 |
| **Total** | **150** | **100** |

The table 2 reveals that the highest percentage of respondents 46 are graduates,30 percent respondents are post graduates, 14 percent respondents are undergraduates and even 10 percent illiterates also invest in mutual funds.

**Occupation/Profession**: People in different occupations and professions are endowed with different sets of skills for making decisions. The particulars relating to the profession of the respondents are presented in the following table.

**Table No.3Occupation/Profession of the Respondents**

| Occupation/Profession | Number of Respondents | Percentage |
|---|---|---|
| Self Employed | 24 | 16 |
| Salaried Employee | 72 | 48 |
| Business Men | 45 | 30 |
| Agriculture | 9 | 6 |
| **Total** | **150** | **100** |

The table 3 reveals that the highest percentage of respondents 48 are salaried employees, 30 percent respondents are business men, 16 percent respondents are self employed and 6 percent the least percentage of respondents are from agriculture.

**Income and savings:** Investment made in any avenue is a function of savings. Savings itself is influenced by income level. Hence an understanding of the income levels of the respondents become necessary. The particulars relating to the same are presented in table.

**Table No.4 Income Level of the Respondents**

| Annual Income (₹) | Number of Respondents | Percentage |
|---|---|---|
| <10,000 | 3 | 2 |
| 10,001-25,000 | 12 | 8 |
| 25,001-50,000 | 20 | 13 |
| 50,001-1,00,000 | 45 | 30 |
| >1,00,000 | 70 | 47 |
| **Total** | **150** | **100** |

The table 4 reveals that the high percentage of respondents 47 belong to above Rs.1,00,000 income group, 30 percent respondents belong to 50,001- 1,00,000 income group, 13 percent respondents belong to 25,001-50,000 income group, 8 percent respondents belong to Rs.10,001-25,000 income group and the least percentage of respondents belong to less than 50,001-1,00,000 income group.

**Table No.5 Savings of the Respondents**

| Annual Income (Rs.) | Number of Respondents | Percentage |
|---|---|---|
| < 3,500 | 6 | 4 |
| 3,501-7,000 | 12 | 8 |
| 7,001-12,500 | 21 | 14 |
| 12,501-17,500 | 36 | 24 |
| > 17,500 | 75 | 50 |
| **Total** | **150** | **100** |

The table 5 reveals that the high percentage of respondents 50 save above Rs.17,500. 24 percent respondents save Rs. 12,501-17,500, 14 percent respondents save Rs.7,001-12,500 , 8 percent respondents save Rs.3,501-7,000 and 4 the least percentage of respondents save less than Rs. 3,500.

***The Attitude of Investors towards Investments***

The investors' attitude towards investment is analyzed with respect to their investment objective, willingness to take risk, return expectations for financial assets. Investment objectives may be related to personal characteristics of individuals such as family commitments, status, dependents, educational requirements, income, consumption and provision for retirement etc. Some prefer safety, profitability and liquidity of the investment. While others expect capital appreciation and few others seek tax benefits. These objectives are lifestyle. Financial security, return and value for money. Investors want to minimize the costs of managing their assets. The objectives of investments are captured by collating the responses of the respondents and the same are presented in the table.

**Table No.6Investment Objective of the Respondents**

| **Investment Objective** | **Number of Respondents** | **Percentage** |
|---|---|---|
| Capital gains | 18 | 12 |
| Assured safety of investment | 54 | 36 |
| Regular income | 42 | 28 |
| Tax benefits | 21 | 14 |
| Others | 15 | 10 |
| **Total** | **150** | **100** |

The above Table reveals that, from the return on investment point of view, 36 percent of respondents' primary objective is to choose assured safety of investment, 28 percent respondents preferred investments providing regular income. From the angle of marketability, 12 percent of respondents preferred investments ensuring high profitability in terms of capital appreciation. From the tax benefit point of view, 14 percent of respondents preferred investments with tax savings. 10 percent respondents make investments for other investment objectives like pension benefits, children education, marriage etc.

**Investors' Risk Tolerance:** Risk involves the chance an investment's actual return will differ from the expected return. Risk includes the possibility of losing some or all of the original investment. A high risk tolerance is willing to take risk losing money to get potentially better results. A low risk tolerance, favors investments that maintain his or her original investment. The degree of risk taken and the extent of benefits derived from investment are related to each other. It is expressed in the following table.

**Table No.7 Risk Tolerance of the Respondents**

| Risk Tolerance | Number of Respondents | Percentage |
|---|---|---|
| Reckless | 29 | 19 |
| Willing to take evaluated risks. | 60 | 40 |
| Careful | 24 | 16 |
| Low risk taking capability | 30 | 20 |
| Extremely averse to risk | 7 | 5 |
| **Total** | **150** | **100** |

Table 7 reveals that, the highest, 40 percent of respondents have risk tolerance of willing to take evaluated risks., 20 percent of respondents have low risk tolerance, 19 percent of respondents are reckless towards risk tolerance, 16 percent of respondents are careful about risk tolerance and the 5 percent of respondents are Extremely averse to risk.

**Investors' Return expectations**: The return expected on investment by and large is determined by the risk associated with the investment avenue. The universal dictum of science of finance has been higher the risk higher will be the return. Investments in mutual funds are no exception to this universal rule.

**Table No.8 Return Expectations of the Respondents**

| Risk Tolerance | Number of Respondents | Percentage |
|---|---|---|
| 7% to 12% | 9 | 6 |
| 13% to 20% | 47 | 31 |
| 21% to 30% | 70 | 47 |
| Above 30% | 24 | 16 |
| **Total** | **150** | **100** |

Table 8 reveals that, 47 percent of investors have return expectation of 21-30 percent, 31 percent of investors expected 13-20 percent return, 16 percent of investors have expectation of high returns of above 30 percent and the reset 6 percent of respondents have very low expectation of 7-12 percent returns.

Like other mutual funds, a socially responsible fund raised money to make its purchases which known as its underlying investments by selling shares in the fund. Most of the investors look at fees, past performance and investment objectives when selecting mutual fund for their portfolios, some also want to know about the actions and attitudes of the companies that are the fund's underlying investments.

Socially responsible investing generates sometime continuous debate. Some people consider the label judgmental – suggesting that all other types of investing are "Socially irresponsible". Others say that the term is used so broadly to encompass so many points of view, that it is meaningless. And still others claim that stressing behavior rather than the bottom line is not sound financial strategy, but those that support socially responsible investing are committed to it.

**Conclusions**

Mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. UTI was the first mutual fund set up in India in the year 1963 at the initiative of the Government of India and Reserve Bank, the SEBI formulates policies and regulates the mutual funds in 1993, The main objective was to identify the awareness and risk tolerance factor for the investors in mutual funds offered by various public and private sector financial institutions.

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