

# A Study on Investor's Perception towards Equity/Tax Saving Mutual Funds

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## Abstract

The researcher carried out the study with the objective of finding out the investor's perception towards Equity/Tax saving Mutual Funds. The researcher is interested in identifying the major factors that contribute towards investor's perception in the area of Equity/Tax saving Mutual Funds. The researcher used the Descriptive type of research design in her study. The researcher used the Primary data collection method in her study by framing a structured Questionnaire. The researcher went with convenient type of sampling method in her study. The sample is taken as 120 by the researcher. For the purpose of Analysis and Interpretation the researcher used the following statistical tools namely Simple Percentage Analysis, Chi-Square Test & Rank Correlation. Based on the Analysis and Interpretation the researcher arrived out with the major findings in her study and Suggestions are given in such a way so that the investors can attain the wealth maximization.

**Keywords:** Banks, Financial sector, Investors, Mutual fund, Perception.

## 1.0 Introduction

A mutual fund basically pools the money of investors, who share some common financial objective. This money is invested in capital market instruments like shares, debentures and other securities and also in other investible avenues such as real estate, commodities etc. Income thus earned and the capital appreciation realized, are shared by its unit holders (investors) in proportion to the number of units owned by them. They were many research already done related to the performance of mutual fund and customer perception but virtually speaking none of these study were concentrated on investors perception towards the equity and tax saving mutual funds across the investors in Trichy.

### Types of Mutual Fund

Mutual fund schemes may be classified on the basis of its structure and its investment objective.

#### By structure: Open-ended Funds:

An open-end fund is one that is available for subscription all through the year. These do not have a fixed maturity. Investors can conveniently buy and sell units at Net Asset Value ("NAV") related prices. The key feature of open-end schemes is liquidity.

#### Closed-ended Funds:

A closed-end fund has a stipulated maturity period which generally ranging from 3 to 15 years. The fund is open for subscription only during a specified period. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where they are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the Mutual Fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor.

#### By Investment Objective: Growth Funds:

The aim of growth funds is to provide capital appreciation over the medium to long-term. Such schemes normally invest a majority of their corpus in equities. It has been proven that returns from stocks, have outperformed most other kind of investments held over the long term. Growth schemes are ideal for investors having a long-term outlook seeking growth over a period of time.

#### Income Funds:

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed

income securities such as bonds, corporate debentures and Government securities. Income Funds are ideal for capital stability and regular income.

#### Balanced Funds:

The aim of balanced funds is to provide both growth and regular income. Such schemes periodically distribute a part of their earning and invest both in equities and fixed income securities in the proportion indicated in their offer documents. In a rising stock market, the NAV of these schemes may not normally keep pace, or fall equally when the market falls. These are ideal for investors looking for a combination of income and moderate growth.

## 2.0 Statement of the Problem

The researcher is interested in finding out the major factors influencing the investor's perception and its significant impact on the investment instruments. The researcher has identified the following as major factors namely, a) Liquidity b) Rate of Returns c) Dividends e) Growth in NAV f) Consistency.

## 3.0 Objectives of the Study

### Primary Objective

i) To find the investors perception towards the equity and tax saving mutual funds

### Secondary Objectives

- ii) To study the performance of the Equity/Tax saving mutual funds from the investor's point of view.
- iii) To study and to find out the consistency of performance confined to selective Equity /Tax saving mutual funds.

## 4.0 Hypothesis

The opinion of the respondents towards the service facilities provided confined to Equity/Tax saving fund is independent to that of Age

- i) The opinion of the respondents towards Grievance Handling Methodology adopted by the organization is independent to that of Age.
- ii) There lies no significant difference between the opinions of the respondents towards the service facilities provided by the Equity/Tax saving fund Experience
- iii) The opinion of the respondents towards Consistent Performance of Equity/Tax saving fund is independent to that of their Experience

## 5.0 Methodology

Descriptive research is used. The sampling method is non probability purposive sampling. In that, the sample is

chosen so that a particular research purpose is served and is adequate for it. The sample is typical. The sample size is 105 respondents. Content Validity which refers to the extent to which a measurement reflects the specific intended domain of content. Reliability which refers to the confidence we can place on the measuring instrument to give us the numeric value. The feedback received was rather ambiguous thus only minor changes were made. For instance, technical jargon was rephrased to ensure clarity and simplicity. Data were collected by means of a structured questionnaire, all the items were presented as statements on the questionnaire, with the same rating scale used throughout, and measured on a five point Likert-type scale that varied from 1 = strongly disagree to 5 = strongly agree. In the subsequent full-scale survey, data were collected from the consumers who have EQUITY Transactions. The data collected will be analyzed and interpreted using statistical package for social sciences (SPSS). Statistical tools used namely, Simple percentage analysis, Chi-square test and Rank correlation.

## 6.0 Review of Literature

Investors are generally more careful while making investment decision and presence of rationality in every investor demands higher return at minimum risk but when markets are efficient it is not possible to gain abnormal returns. Risk is generally, associated with various applications differently but in common it means negative connotation such as harm or loss or some undesirable action. Risk expressed by *Kaplan and Garrick (1981)* demonstrates that risk involves a factor of uncertainty and potential loss that might be incurred.

*Black et al. (2006)* examined Customer's choice of financial services distribution channels. They showed that customer confidence, lifestyle factors, motivations and emotional responses influence the customer's choice, while product, channel and organizational factors such as image and reputation are also significant.

*Syama Sunder (1998)* conducted a survey to get an insight into the MF operations of private institutions with special reference to Kothari Pioneer. The survey revealed that the awareness about MF concept was poor during that time in small cities like Vishakhapatnam. Agents play a vital role in spreading the MF culture; open-end schemes were much preferred then; age and income are the two important determinants in the selection of fund / scheme; brand image and return are their prime considerations.

## 7.0 Analysis and Discussions

Demographical background of the respondents

Demographical background of the respondents shows that, 90% of the respondents are males and the remaining 10% of the respondents are females. Of all 50% of the respondents are in the age group of 26-35 years; while 26.67% of the respondents are in the age group of 36-45 years; while 12.5% of the respondents are in the age group of 46-55 years; while 6.67% of the respondents are in the age group of below 25 years and the remaining 4.16% of the respondents are in the age group of above 56 years. With respect to the educational qualification of the respondents 70% of the respondents are graduates; while 11.67% of the

respondents are Diploma degree holders; while 8.33% of the respondents have completed 12 years of formal education; while 7.5% of the respondents are research scholars; and the remaining 2.5% of the respondents have completed 10 years of formal education.

Occupation of the respondents shows that, 54.17% of the respondents are Private Sector Employees; while 32.5% of the respondents are Entrepreneurs; while 5.83% of the respondents are Government Employees; while 4.17% of the respondents are Public Sector Employees; and the remaining 3.33% of the respondents are students. Income level of the respondents represents that 31.67% of the respondents are in the income range of 15,000-20,000; while 25.5% of the respondents are in the income range of 10,000-15,000; while 22.5% of the respondents are in the income range of 20,000-25,000; while 10.83% of the respondents are in the income range of more than 25,000; and the remaining 10% of the respondents are in the income range of less than 10,000. Experience related to the purchases and using mutual funds among the respondents shows that 57.5% of the respondents have experience to a tune of 1-3 years in the area of investing in Equity/Tax saving mutual fund; while 37.5% of the respondents have experience to a tune of 4-6 years in the area of investing in mutual fund; and the remaining 5% of the respondents have 6-10 years of experience in the area of investing in mutual fund.

Hypotheses Testing

Hypothesis – 1

**H<sub>0</sub>:** The opinion of the respondents towards the service facilities provided confined to Equity/Tax saving fund is independent to that of Age.

**H<sub>1</sub>:** The opinion of the respondents towards the service facilities provided confined to Equity/Tax saving fund is dependent to that of Age. Tool used: The above hypothesis were tested with help of chi square test **Results:** As the Calculated value is less than the table value ( $2.08 < 26.29$ ) hence  $p$  – value greater than ( $p > 0.05$ ) therefore research hypothesis rejected and null hypothesis is accepted Hence it is concluded that the opinion of the respondents towards the service facilities confined to Equity/Tax saving fund is independent to that of Age of the respondents. There is no significance relationship between the age of the respondents and their opinion towards the facilities of the mutual funds.

Hypothesis: 2

**H<sub>1</sub>:** The opinion of the respondents towards Grievance Handling Methodology adopted by the organization is dependent to that of Age.

Tool used: The above hypothesis tested with help of Chi square test.

**Results:** As the Calculated value is less than the table value ( $P < 0.05$ ) therefore research hypothesis rejected and null hypothesis accepted and hence it is concluded that the opinion of the respondents towards Grievance Handling Methodology adopted by the organization is independent to that of Age of the respondents.

Hypothesis – 3

**H<sub>0</sub>:** There lies no significant difference between the opinions of the respondents towards the service facilities provided by the Equity/Tax saving fund Experience.

**H1:** There lies a significant difference between the opinions of the respondents towards the service facilities provided by the Equity/Tax saving fund Experience.

Tools used: The above hypothesis were tested with the help of Chi square test

Results: As the Calculated value is greater than the table value ( $P > 0.05$ ) Therefore research hypothesis accepted and null hypothesis rejected. It concluded that there is a significant difference between the opinions of the respondents towards the service facilities provided by the Equity/Tax saving fund Experience

Hypothesis – 4

**H0:** The opinion of the respondents towards the Rate of Return is independent to that of the Experience.

**H1:** The opinion of the respondents towards the Rate of Return is dependent to that of the Experience.

Tool used: The above hypothesis were tested with the help of chi square test

Results: As the Calculated value is less than the table value ( $P < 0.05$ ) Therefore research hypothesis rejected and null hypothesis accepted. Hence it is concluded that the opinion of the respondents towards the Rate of Return is independent to that of the Experience.

**8.0 Conclusion**

The researcher carried out the study in this area with the objective of finding out the various parameters that governs the investor's perception towards Equity/Tax saving mutual funds .The researcher had identify the following major parameters namely, Liquidity, Rate of Return and Market share. The researcher is interested in finding out which Equity/Tax saving mutual fund performs better, for this purpose the researcher used the Spearman's Rank Correlation and the elite performance of the Equity/Tax saving mutual fund. The researcher has taken the growth in NAV in order to arrive at the elite performance of Equity/Tax saving mutual fund offered by Consultant. As the organization plays with the funds of the investment it is the moral responsibility to wealth maximization of the investor's. Hence it is imperative that the organization should be cautious in making investment towards the various financial instruments which safeguard the interest of the investors.

**9.0 References**

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| Observed frequency (O) | Expected frequency (E) | (O-E) | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|------------------------|------------------------|-------|--------------------|-----------------------|
| 16                     | 16.67                  | -0.67 | 0.45               | 0.03                  |
| 34                     | 34.17                  | -0.17 | 0.03               | 8.78                  |
| 9                      | 10                     | -1    | 1                  | 0.1                   |
| 35                     | 31.67                  | 3.33  | 11.09              | 0.35                  |
| 6                      | 7.5                    | -1.5  | 2.25               | 0.3                   |
| 4                      | 3.33                   | 0.67  | 0.45               | 0.14                  |
| 7                      | 6.83                   | 0.17  | 0.03               | 4.39                  |
| 3                      | 2                      | 1     | 1                  | 0.5                   |
| 3                      | 6.33                   | -3.33 | 11.09              | 1.75                  |
| 3                      | 1.5                    | 1.5   | 2.25               | 1.5                   |
|                        |                        |       | Total              | 17.84                 |

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**List of Tables**

(Table 1)

*Age Vs Service Facilities Provided By Company*

| Observed frequency (O) | Expected frequency (E) | (O-E) | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|------------------------|------------------------|-------|--------------------|-----------------------|
| 14                     | 15                     | -1    | 1                  | 0.07                  |
| 43                     | 41.67                  | 1.33  | 1.77               | 0.04                  |
| 4                      | 5                      | -1    | 1                  | 0.20                  |
| 20                     | 19.17                  | 0.83  | 0.69               | 0.04                  |
| 19                     | 19.17                  | -0.17 | 0.03               | 0.002                 |
| 4                      | 3                      | 1     | 1                  | 0.33                  |
| 7                      | 8.33                   | -1.33 | 1.77               | 0.212                 |
| 2                      | 1                      | 1     | 1                  | 1                     |
| 3                      | 3.83                   | -0.83 | 0.69               | 0.18                  |
| 4                      | 3.83                   | 0.17  | 0.03               | 0.008                 |
|                        |                        |       | Total              | 2.082                 |

At 5% level of significant Degrees of Freedom /Table value = 26.296 (Table 2)

*Age Vs Grievance Handling Methodology*

At 5% level of significant Degrees of Freedom /Table value = 26.296 (Table3)

*Experience Vs Service Facilities Provided*

| Observed frequency (O) | Expected frequency (E) | (O-E) | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|------------------------|------------------------|-------|--------------------|-----------------------|
| 24                     | 24.15                  | -0.15 | 0.02               | 8.28                  |
| 17                     | 23.58                  | -6.58 | 43.29              | 1.83                  |
| 19                     | 13.8                   | 5.2   | 27.04              | 1.96                  |
| 5                      | 4.02                   | 0.98  | 0.96               | 0.24                  |
| 4                      | 3.45                   | 0.55  | 0.30               | 0.09                  |
| 18                     | 17.85                  | 0.15  | 0.02               | 1.12                  |
| 24                     | 17.42                  | 6.58  | 43.29              | 2.48                  |
| 5                      | 10.2                   | -5.20 | 27.04              | 2.65                  |
| 2                      | 2.97                   | -0.97 | 0.94               | 0.32                  |
| 2                      | 2.55                   | -0.55 | 0.30               | 0.12                  |
| Total                  |                        |       |                    | 19.09                 |

At 5% level of significant Degrees of Freedom / Table value = 15.507

(Table 4)

*Experience Vs Rate of Return*

| Observed frequency (O) | Expected frequency (E) | (O-E)  | (O-E) <sup>2</sup> | (O-E) <sup>2</sup> /E |
|------------------------|------------------------|--------|--------------------|-----------------------|
| 13                     | 15.45                  | -2.45  | 6.003              | 0.39                  |
| 52                     | 49.78                  | 2.22   | 4.913              | 0.098                 |
| 9                      | 9.44                   | -0.44  | 0.195              | 0.02                  |
| 27                     | 25.75                  | 1.25   | 1.5625             | 0.06                  |
| 2                      | 2.575                  | -0.575 | 0.33               | 0.128                 |
| 5                      | 2.55                   | 2.45   | 6.003              | 2.35                  |
| 6                      | 8.22                   | -2.22  | 4.92               | 0.597                 |
| 2                      | 1.55                   | 0.45   | 0.20               | 0.13                  |
| 3                      | 4.25                   | -1.25  | 1.56               | 0.37                  |
| 1                      | 0.425                  | 0.57   | 0.33               | 0.78                  |
| Total                  |                        |        |                    | 4.923                 |

|       |       |        |        |       |
|-------|-------|--------|--------|-------|
| 13    | 15.45 | -2.45  | 6.003  | 0.39  |
| 52    | 49.78 | 2.22   | 4.913  | 0.098 |
| 9     | 9.44  | -0.44  | 0.195  | 0.02  |
| 27    | 25.75 | 1.25   | 1.5625 | 0.06  |
| 2     | 2.575 | -0.575 | 0.33   | 0.128 |
| 5     | 2.55  | 2.45   | 6.003  | 2.35  |
| 6     | 8.22  | -2.22  | 4.92   | 0.597 |
| 2     | 1.55  | 0.45   | 0.20   | 0.13  |
| 3     | 4.25  | -1.25  | 1.56   | 0.37  |
| 1     | 0.425 | 0.57   | 0.33   | 0.78  |
| Total |       |        |        | 4.923 |

At 5% level of significant Degrees of Freedom / Table value = 15.507