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Investor's perception towards HDFC Mutual funds

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Abstract

India is emerging in all global markets and is being considered as an investment destination in the entire world. The liberalization and globalization in the Indian economy has brought fascinating awareness towards investments like shares, debentures and mutual funds. Various investment avenues, the investors get confused and this confusion creates difficulty for the investors to the risk involved, returns and tax benefits. In financial market, mutual fund is being considered as a major player. There are many people in India, who are aware about mutual funds. This study aims at finding out the perception towards HDFC Mutual funds. Primary data was collected through a structured questionnaire from 100 investors who are residing in Jabalpur and have been investing in HDFC mutual funds. The hypothesis have been tested using ANOVA. Investors with different ages, gender, education, occupation, marital status and annual income were a part of this study. Investors having different demographic profile have different opinion about mutual funds. Safety in the mutual fund scheme depends upon the portfolio which is built up by the fund managers. The Fund managers are experienced and they decide about the shares in which investment is to be made. The returns vary with the type of mutual fund. The return in a liquid or debt fund may be limited as the investment in such funds is made in Government securities and the returns in such securities are limited. Transparency also plays a very important role.

Keywords : Mutual funds, perception, HDFC

1. Meaning of Mutual Funds

Mutual Fund pools money from people who have a certain investment goal. The money is invested in different security which depends upon the objective of the scheme and profits or loss is shared amongst investors' as per the proportion of their investment. Investments among securities are spread across various sectors and industries. Diversification of investment reduces risk as all the stocks do not move in same direction in same proportion in the same period. The gain or income that is generated from the funds which have been collected is distributed in a proportionate manner among the investors who have pooled their money for the said fund. Before distribution of income, expenses are deducted and other levies.

2. Definition of Mutual Funds

The Securities and Exchange Board of India (Mutual Funds) Regulations, 1993 defines a mutual fund as "a fund established in the form of a trust by a sponsor, to raise monies by the trustees through the sale of units to the public, under one or more schemes, for investing in securities in accordance with these regulations."

3. Advantages of Mutual funds

The advantages of mutual funds are professional management, diversification, convenient administration, return potential, lower costs, liquidity, transparency, flexibility, choice of scheme and well-regulated.

4. Type of Mutual funds

On the basis of investment objective of the scheme, the mutual funds could be classified as growth, income, balanced, money market, gilt, sector based funds etc. These schemes make investment in different securities as per the objective of the fund which is clearly defined in the initial phase when they are introduced in the market.

(1) Growth or Equity mutual funds

This type of mutual funds have aim to provide appreciation in capital over a period of medium to long- term. These schemes invest normally major portion of corpus in equity. The risk in these funds is very high. Such schemes provide options of growth or dividend also.

(2) Income or Debt mutual funds

This type of fund aims to provide steady and regular income to the investors. These schemes invest majority of their corpus in securities which provide fixed income like corporate debentures, bonds, instruments of money market and Government securities.

(3) Balanced or Hybrid mutual funds

These mutual funds aim to provide regular income as well as growth. The fund managers invest the corpus contributed by the investors in equity as well as fixed income security in a proportion as mentioned in the offer document.

(4) Liquid or Money Market mutual funds

The main of these mutual funds is to preserve capital, earning moderate income and also easy liquidity. Such schemes mainly invest funds in instruments of government which are short term in nature like certificate of deposit, government securities, commercial paper, treasury bills etc.

(5) Gilt mutual funds

These types of mutual funds invest money in gilt-edged securities also called government securities. The amount of these funds is invested without any risk as Government securities do not have any default risk.

(6) Index mutual funds

The Index Funds actually replicate portfolio of particular index like BSE Sensex, NSE Nifty etc. In these mutual funds, the fund managers invest in securities in same weightage as comprised in index. NAV of these schemes increases or reduces with the index.

5. About HDFC Asset Management Company (AMC)

They are one of India's largest and most profitable mutual fund manager with 3.5 trillion[1] in assets under management. Started in 1999, they were set up as a joint venture between Housing Development Finance Corporation Limited ("HDFC") and Standard Life Investments Limited ("SLI"). During FY18-19 they carried out an initial public offering, and became a publicly listed company in August 2018. Currently, 26.1% of the company is owned by the public. HDFC Asset Management Company ("HDFC AMC") is the investment manager to the schemes of HDFC Mutual Fund ("HDFC MF").

They offer a comprehensive suite of savings and investment products across asset classes, which provide income and wealth creation opportunities to their large retail and institutional customer base of 9.3 million live accounts. They have a dominant position in equity investments, with the highest market share in actively managed equity-oriented funds.

[1] https://www.hdfcfund.com/about-us/corporate/overview

6. Review of Literature

Rathore and Shelly (2014) discussed in the research paper that during last few years, people have been preferring investment in mutual funds and stock market. The main aim of doing current research is understanding the attitude that retail investor has towards various Mutual Funds in the District Yamuna Nagar which is in Haryana (India). The nature of current study is descriptive. Convenient Sampling method was applied for data collection through primary source. The results from data analysis reveal that there is an association between investors attitude and education. The researcher concluded that mutual fund could be successful if people have sufficient knowledge related to stock market.

Singh (2012), has considered various topics in research paper like mutual fund structure, fund operations, comparison in between various investments in mutual funds and also bank, NAV calculation etc. This study basically is analytical in nature and is based on primary research and is also related to analysis towards investors attitude towards mutual fund. Sample for the study was 250 respondents. The data was collected through questionnaire. The result indicates an association in between education level and attitude of investors towards mutual funds. The value as calculated of chi-square shows that it is more than the table value. The significance is high and null hypothesis has been rejected.

Ainapur (2018) discussed in the research paper that main challenge which is being faced by investors are facing an over abundance over options. Data was collected through interaction with investors i.e. primary data. More investors preferred SIP as an investment option. It can be understood from the result that people prefer in equity portfolio. More people prefer to invest 500 to 1000 per month. The researcher concluded that less number of investors were aware about mutual funds, people have invested in mutual funds and were satisfied and also earned a good profit.

Sharma (2012) discussed about mutual fund concept which emerged in the country Netherlands in the 18th century which was introduced in our country in 1960s. The data was collected through primary data. The sample size for study was 250 respondents. Data was collected through questionnaire. Data was analyzed using factor analysis. The result of factor analysis showed that safety related to money carried maximum communalities. The researcher concluded that maximum investors were satisfied and identified certain factors which were important for investors penetration.

7. Research Methodology

7.1 Research Design

The research design in this study is descriptive in nature. This research aims to understand the perception of investors who have invested in HDFC mutual funds.

7.2 Problem statement

India is emerging in all global markets and is being considered as an investment destination in the entire world. The liberalization and globalization in the Indian economy has brought fascinating awareness towards investments like shares, debentures and mutual funds. Various investment avenues, the investors get confused and this confusion creates difficulty for the investors to the risk involved, returns and tax benefits. In financial market, mutual fund is being considered as a major player. There are many people in India, who are aware about mutual funds. This study aims at finding out the perception towards HDFC Mutual funds.

7.3 Objectives of the study

- To know about different types of mutual funds provided by HDFC AMC
- To understand the investor's perception towards HDFC mutual funds in Jabalpur

7.4 Hypotheses of the study

H_{01} - There is no significant difference between age and investor's perception towards investment in HDFC mutual funds

H_{11} - There is a significant difference between age and investor's perception towards investment in HDFC mutual funds

7.5 Questionnaire or instrument design
A structured questionnaire was designed to understand the demographic profile and investor's awareness

The questionnaire has been divided into 2 parts:
Section A: Demographic profile of investors
Section B: Perception towards investment in HDFC Mutual funds

7.6 Method of data collection
The data was collected through secondary and primary data. Secondary data was collected through various journals, newspapers, reports and many other researches which were done by previous researches.
Primary data was collected through a structured questionnaire from 100 investors who are residing in Jabalpur and have been investing in HDFC mutual funds.

7.7 Sampling design
Sampling design followed in this study is convenience sampling. The data was collected from investors who have been investing in HDFC mutual funds.

7.8 Area of study
The area of study is Jabalpur.

7.9 Sample size
A sample of 100 investors has been considered in this study and these investors belong to Jabalpur and only the ones who have been investing in HDFC mutual funds.

8. Limitations

- This study is based on only 100 investors who have been investing in HDFC Mutual funds
- The response given by investors may be subjected their psychological and emotional characteristics
- Some respondents may be biased towards some other AMC due to the risk or return in their investments
- Only investors from Jabalpur have been considered in this study.

9. Data analysis and interpretation

The analysis of the collected data has been divided into two:

a) Descriptive analysis – in this the data is analyzed through frequency and percentage.
b) Inferential analysis – The hypothesis in this study were analyzed using ANOVA through SPSS 20.

9.1 Demographic profile of the investors

(1) Age of the investors
Majority investor's are in the age bracket of 21 – 30 years. The investors of different age groups have been taken into consideration in this study as the opinion of investors of different ages will be different.

(2) Gender of the investors
Majority investors are males. The investors of both the genders have been considered in this study. The males are generally much aware about various investment options as compared to the females.

(3) Education of the investors
Majority investors are post graduates. The perception of investors also varies with their education, hence investors having different education level were considered in this study. The investors who are post graduates and professionals might be more aware about mutual funds as compared to the ones who are less educated.

(4) Occupation of the investors

Majority respondents are employee in Private sector. The investor's perception also varies with their profession. Investors who are working get a chance to interact with different individuals and they get a different view about investments.

(5) Marital Status of the investors

Majority investors are married. The marital status also changes the perceptions that one has towards mutual funds. Those who are unmarried can take up more risk while investing in mutual funds as compared to the ones who are married

(6) Annual Income of the investors

Majority investors are earning above 6 lacs. The income of an investor also plays a very important role in changing their perception towards mutual funds.

9.2 Investor's perception towards HDFC Mutual funds

(a) Safety

Safety in the mutual fund scheme depends upon the portfolio which is built up by the fund managers. The Fund managers are experienced and they decide about the shares in which investment is to be made. The objectives are decided in advance and the funds have a different objective.

(b) Returns

The returns vary with the type of mutual fund. The return in a liquid or debt fund may be limited as the investment in such funds is made in Government securities and the returns in such securities are limited. The return from balanced fund could be much more than the debt funds. The returns in equity mutual funds could be more as compared to the equity funds.

(c) Transparency

Transparency also plays a very important role. There should be transparency in the investments which is being made by the fund manager. The portfolio is disclosed to the investors through different websites.

(d) Tax benefits

There are mutual funds which are having a unique objective. There are some funds which are available through different AMCs that offer the benefit of tax saving, these funds are called ELSS. There is a lock in period in ELSS i.e. for three years, the amount cannot be withdrawn and the amount remains invested for a minimum period. The amount is available with the fund manager for a fixed period and this helps them to plan investment in long term securities.

(e) Liquidity

There is liquidity in all mutual funds except ELSS. The amount invested in mutual funds could be withdrawn which is termed as redemption after a period of 1 year without any charges and could be withdrawn within a period of 1 year with a nominal charge which is known as exit load.

10. Hypothesis testing

For testing of hypothesis, ANOVA has been applied through SPSS 20 and the demographic variables which have been considered in the testing of hypothesis are age, occupation and marital status. The investor's perception towards investment in mutual funds has been considered as based on various factors i.e. safety, returns, transparency, tax benefit and liquidity.

H_{01} - There is no significant difference between age and investor's perception towards investment in HDFC mutual funds

H_{11} - There is a significant difference between age and investor's perception towards investment in HDFC mutual funds

Table 4.24 ANOVA : Age and investor's perception towards investment in HDFC mutual funds

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Safety	Between Groups	6.828	4	1.707	2.120	.084
	Within Groups	76.482	95	.805		
	Total	83.310	99			
Returns	Between Groups	9.940	4	2.485	2.438	.052
	Within Groups	96.810	95	1.019		
	Total	106.750	99			
Transparency	Between Groups	2.359	4	.590	.776	.543
	Within Groups	72.151	95	.759		
	Total	74.510	99			
Tax benefit	Between Groups	.923	4	.231	.373	.828
	Within Groups	58.867	95	.620		
	Total	59.790	99			
Liquidity	Between Groups	5.702	4	1.425	1.658	.166
	Within Groups	81.688	95	.860		
	Total	87.390	99			

Interpretation:

The significance of age on investor's perception towards investment in mutual funds was analyzed and it was found that there is no significant difference between the age and customer's perception as the significant value is above 0.05. In case of safety the significant value is 0.084 (above 0.05), for returns significant value is 0.052 (above 0.05), for transparency it is 0.543 (above 0.05), for tax benefit it is 0.828 (above 0.05) and for liquidity it is 0.166 (above 0.05).

Since the significant value is above 0.05 in all the factors as mentioned above, hence the null hypothesis is accepted i.e. H_{01} - There is no significant difference between age and investor's perception towards investment in HDFC mutual funds. and the alternate hypothesis has been rejected. Though people whose age is less are willing to take risk and they prefer to invest in equity and balanced mutual funds. People feel that mutual funds are safer as compared to direct investment in share market. The returns are more as compared to other investment options. The various features of mutual funds are disclosed in the offer document. Now it is very easy to redeem mutual fund units and the amount is received by the customers within 7 – 10 days.

11. Findings

- There are more investors who are in the age bracket of 21 – 30 years.
- Majority investors are males and the remaining are females. Majority respondents are employee in Private sector. The investor's perception also varies with their profession. Investors who are working get a chance to interact with different individuals and they get a different view about investments.
- There are more investors in this study who are married in this study.
- Majority investors are earning above 6 lacs in a year.
- The investors who formed a part of this study have invested in some or the other mutual fund of HDFC like equity, income, hybrid, sector based, index based etc.
- Majority investors invest less than Rs. 10000 in mutual funds in a year.
- The return also varies with the type of mutual funds. Those investors who are expecting to get a good return and can accept a lot of risk also, should invest in equity mutual funds.
- Majority investors were encouraged to invest in mutual funds due to higher return, followed by regular income, professional management, appreciation in capital, safety, diversification of risk and tax exemption. High returns in mutual funds have encouraged investors to invest in mutual funds.

- People feel that mutual funds are safer as compared to direct investment in share market. The returns are more as compared to other investment options. The various features of mutual funds are disclosed in the offer document.

12. Conclusion

Investors who have invested in HDFC mutual funds have been considered as a sample in this study. Investors with different ages, gender, education, occupation, marital status and annual income were a part of this study. Investors having different demographic profile have different opinion about mutual funds. Safety in the mutual fund scheme depends upon the portfolio which is built up by the fund managers. The Fund managers are experienced and they decide about the shares in which investment is to be made. The returns vary with the type of mutual fund. The return in a liquid or debt fund may be limited as the investment in such funds is made in Government securities and the returns in such securities are limited. Transparency also plays a very important role. There should be transparency in the investments which is being made by the fund manager. The portfolio is disclosed to the investors through different websites. There is a lock in period in ELSS i.e. for three years, the amount cannot be withdrawn and the amount remains invested for a minimum period. There is liquidity in all mutual funds except ELSS. The amount invested in mutual funds could be withdrawn which is termed as redemption after a period of 1 year without any charges and could be withdrawn within a period of 1 year with a nominal charge which is known as exit load.

13. Suggestions

1. The previous performance of the mutual funds should be checked before making investment. 2. The AMC should provide information to the investors in simple language so that the investors could clearly understand in detail about the mutual fund scheme before or after investing.
3. The investors should choose a scheme of mutual fund based on the objective of the scheme.
4. Every fund type has a combination of risk and return which depends upon the objectives and the investor should choose the type of scheme as per the risk which could be borne by them.
5. The investors who are not much aware about mutual funds should invest in funds which have been available since a long term and should not invest in New Fund Offer (NFO).
6. Investment in mutual funds should be made for long term and it is necessary that the investors do not check the NAV very frequently.
7. People should be made aware about mutual funds through advertisement, investor meet and promotion.
8. The AMCs should make people aware about mutual funds which are available so that they understand the risk and return related to each type of fund.
9. AMC should share portfolio of the mutual fund so that the investors are aware about the securities in which the fund manager is investing the corpus of the fund.
10. Many people are not aware that there is liquidity available in mutual funds hence they should be informed about liquidity so that they prefer to invest in mutual funds.

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