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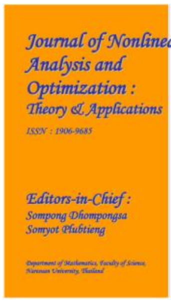

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A STUDY ON PERCEPTION OF INVESTORS REGARDING MUTUAL FUNDS

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ABSTRACT: Because of their professional management and diversification benefits, mutual funds are becoming increasingly popular among investors around the world. To maximize investment strategies and increase market participation, financial professionals, lawmakers, and fund managers must fully understand investor sentiment toward mutual funds. This study presents a detailed summary of investors' sentiments toward mutual funds based on earlier research and empirical studies. The study's abstract explores the importance of mutual funds in modern investing portfolios and how they contribute to wealth accumulation. It demonstrates the growing influence of investor perceptions on market dynamics and investment decisions. The abstract lists the major characteristics that influence investor perceptions, such as financial knowledge, prior experiences, investment objectives, and risk tolerance. The abstract investigates numerous aspects of investor perception, including perspectives on mutual fund performance, fees and expenditures, transparency, the regulatory framework, and social responsibility. This study investigates the impact of market conditions, behavioral biases, and demographic variables on investor perceptions and behaviors regarding mutual funds. The abstract also discusses how investor perception influences financial stability, market efficiency, and capital flow. The statement emphasizes the role of regulatory control, investor education, and openness in building trust in mutual fund investing. The summary closes by identifying areas for future research aimed at improving the effectiveness of mutual fund markets and acquiring a better understanding of investor sentiment.

KEYWORDS: Investor Perception, Mutual Funds, Attitudes, Performance and Risk.

1. INTRODUCTION

A mutual fund is a financial entity that pools the savings of several individuals with similar investment aims and objectives. Following this collection operation, the funds are allocated to investments in stocks, debentures, and other financial instruments in the capital markets. The revenue received from these investments, as well as the actualized capital gains, are allocated to unit holders in proportion to the number of units they own. For the average person, it is a really useful investment tool.

2. REVIEW OF LITERATURE

Agarwal (2007) research, the mutual fund business in India has grown significantly, receiving major investments from both domestic and international sources. Asset management firms are giving investors more opportunities to engage in arbitrage, hedging, and safety measures. It offers higher returns than other long-term investments for the growing number of middle-class households with a low risk tolerance. India's economy is predicted to experience rapid liberalization, resulting in significant growth in the mutual fund industry, owing mostly to its high savings rate.

Geczy,et.al(2003) carried out the study. According to Silby (2002), the typical SRI investor allocates only one-third of their mutual fund assets to socially responsible funds. However, for individuals who are committed to allocating their entire portfolio to these funds, the cost of the SRI constraint remains significant. This study focuses on mutual funds and does not cover the complete spectrum of socially responsible managed funds. The goal is to guarantee that the overall structure and characteristics of the mutual funds under consideration are comparable to the whole SRI industry, including institutional investments.

Fama,et.al(2008) He discovers that, from 1984 to 2006, when the CRSP mutual fund database is relatively unaffected by survival bias, the average amount of money invested in mutual funds and the funds themselves underperform three- and four-factor benchmarks by nearly the same amount as fees and expenses. As a result, funds lacking sufficient knowledge are countered by those with superior information, enhancing expected returns.

Deb,et.al(2007) Using conditional models, we successfully distinguished between fund managers' stock selection and market timing skills, which are mostly based on "private" information, and those displayed using "total" (public and private) information. According to our findings, Indian fund managers demonstrated a minor suggestion of stock selection but no major indication of good market timing.

Kumar,et.al(2014) He aimed to understand mutual fund investors' financial behavior in terms of brand preferences (such as AMC), products, channels, and so on. Many people appear to have reservations about mutual funds. They believe that capital invested in mutual funds lacks security. Individuals must receive more education on mutual funds and related terms before becoming experts in the field.

Saini.et.al(2011) most investors have a good attitude about mutual funds. To retain trust in mutual funds, individuals must get timely updates on the newest developments in the mutual fund business. To gain better success in the financial sector, mutual fund companies should develop strategies that are consistent with their clients' investment objectives.

Sharma, N.(2012) explores the criteria required for attracting investor penetration and assesses investor satisfaction with the benefits provided by mutual fund providers to attract investments in mutual funds. The research divides all of the advantages of investing in mutual funds into three main areas. The characteristics of the scheme/fund are discussed in the first category. This includes the protection of monetary assets in mutual funds, a scheme or fund's outstanding credit rating from reputable credit agencies, full disclosure of all necessary information, and daily updates on trading activities. The second category includes the financial advantages provided by funds and schemes, such as increasing capital value, ease of conversion to cash, return on investment (ROI), incentives for early participation, additional perks, and lower costs (expense ratio, entry load, exit load). The final category covers attributes related to sponsors.

Kiran.et.al(2009) underline the diverse goals of investors looking to participate in mutual funds. They do, however, acknowledge that these services require certain changes and extra quality qualities. The study's substantial flaws also provide critical insights into the inequities within the current mutual fund architecture. This information can substantially help asset management companies (AMCs) produce more profitable solutions that meet investor expectations.

3. CONCEPT OF MUTUAL FUNDS

A mutual fund is essentially a mechanism that pools the funds of several individual investors to invest collectively. The major goal is to provide attractive dividends and produce capital appreciation while ensuring safety and liquidity. A mutual fund is a financial entity that pools the savings of several individuals with similar investment objectives. Following this collection operation, the funds are allocated to investments in stocks, debentures, and other financial instruments in the capital markets. The returns on these assets, as well as the actualized capital gains, are distributed to unit holders in proportion to the number of units they own. Mutual funds are dynamic financial institutions that play an important role in the economy by allowing savings to flow directly into the capital market. They achieve this by collecting deposits and investing them in the stock market. As a result, mutual fund activities have a considerable impact on the economy, capital market growth, and saving patterns over both short and long periods of time. A mutual fund is a collection of securities that includes a variety of financial products structured in different ways. Individual portfolios refer to the diverse combinations of financial instruments. Mutual fund companies create portfolios with various combinations to give investors with a positive return. Furthermore, fund managers continually assess market risk and expected returns.

Benefits to the General Public:

The rationale for purchasing shares in various assets through a mutual fund intermediary rather than directly from the original source may not be immediately apparent. For a variety of valid reasons, many Americans prefer to invest in mutual funds rather than or in addition to purchasing individual stocks. Mutual funds provide the following benefits:

Diversification By diversifying your investments, you can spread your overall risk across multiple assets. To achieve portfolio diversification, you can invest in a mutual fund that owns shares in 100 different firms, or in a mutual fund that owns a combination of stocks, bonds, and other financial assets. Diversity reduces risk by increasing the likelihood that certain assets appreciate in value while others degrade. This is separate from purchasing only one or a few investments.

Choice: There is a large selection of mutual funds. Some mutual funds, such as energy funds, invest solely in the energy sector, whereas others focus on future growth prospects. There are various funds, each with their own purposes and interests. It is critical to find mutual funds that closely match your specific investment goals.

Liquidity Liquidity refers to the ease with which your assets can be converted into cash after minimum depreciation. The procedure of selling a mutual fund share is similar to that of selling a stock. However, it is important to note that certain funds may charge redemption fees, and some funds only allow redemptions at the end of the business day, once the current value of the fund's assets has been determined.

Low Investment Minimums: Minimum Investment Requirements: Many mutual funds enable you to invest as little as $1,000 or $2,000, and some even offer "no minimum" if you commit to making monthly payments of $50 or $100. Regardless of the circumstances, investment in mutual funds does not require extraordinary wealth.

Convenience: Owning a mutual fund includes only monitoring the fund's performance, rather than keeping track of the various securities it invests in. Buying and selling mutual fund shares, as well as making regular monthly contributions, are simple processes..

Low Transaction Costs: Mutual funds can reduce transaction costs, or the expenses associated with buying and selling securities, by taking advantage of lower brokerage commissions when purchasing and selling large volumes of investments at the same time. Naturally, acquiring and disposing of a wide range of equities lowers this benefit. Typically, annual fees range between 1.0% and 1.5% of the total investment value.

Regulation: The Investment Company Act of 1940 establishes government rules for mutual funds. According to this statute, the Securities and Exchange Commission must register mutual fund securities. In addition, the rule governs mutual funds' internal operations and marketing methods for prospective investors. While this gives some protection, it is crucial to emphasize that the assets lack certainty and their value can, and frequently does, fall.

Additional Services: Some mutual funds provide additional services to their investors, such as tax paperwork, reinvestment methods, and automated withdrawal and contribution arrangements.

Professional Management: Professional management entails a team of specialists, usually consisting of a mutual fund manager and many analysts, who are in charge of managing mutual fund management. Professionals are thought to have more information, vast experience, and profound competence than the average investor in the subject of stock selection and trading. They might focus their efforts on a certain area of competence. (However, it is crucial to highlight that this perceived advantage does not always translate into increased performance; in actuality, the majority of mutual funds fall short of the market's total performance.)

GENERATION X

Generation X, also known as Gen X, is the group of people born in the United States between the mid-1960s and early 1980s. The particular birth years that comprise Generation X differ according to the source. Demographers William Straus and Neil Howe estimate that Generation X members were born between 1961 and 1981, whereas Gallup believes the group's birth years were 1965 to 1979. Nonetheless, it is commonly acknowledged that Generation X preceded age Y, sometimes known as the millennial generation, and succeeded the Baby Boom age.

MILLENNIAL INVESTORS or GENERATION Y

The Merriam-Webster Dictionary defines "millennials" as people born between the early 1980s and the 1990s. Some consider those born in the early 2000s to be part of the group. Generation Y, often known as the Millennial Generation, succeeded Generation X, which included those born between the early 1960s and the early 1980s.

4. TYPES OF MUTUAL FUNDS

1. Mutual Funds Based on Asset Class

a. Equity Funds

These funds, often known as stock funds, invest primarily in equities. They buy equities from a variety of companies with capital raised from a diversified group of investors. The success of these shares on the stock market, whether they rise or fall in price, has a direct impact on financial profits or losses. Because of the quick growth rate of equity funds, the likelihood of sustaining financial losses increases.

b. Debt Funds

Debt funds invest in fixed-income assets with set interest rates and maturity dates, such as bonds, securities, and treasury bills. The assets available include Fixed Maturity Plans (FMPs), Gilt Funds, Liquid Funds, Short Term Plans, Long Term Bonds, and Monthly Income Plans, among others. Only passive investors looking for low-risk possibilities with moderate income (by interest and capital appreciation) may consider accepting the risk.

c. Money Market Funds

The money market, also known as the capital market or cash market, is a platform where specific investors exchange funds, just like stocks are traded in the stock market. Governmental agencies, financial institutions, or commercial enterprises typically manage the money market, using a variety of financial instruments such as certificates of deposit, bonds, T-bills, and dated securities. The fund management invests your money and pays you monthly dividends. A short-term plan, with a maximum period of 13 months, carries a lesser risk.

d. Hybrid Funds

Hybrid funds, also known as balanced funds, are investment vehicles that effectively bridge the gap between debt and equity funds by including a mix of high-performing stocks and bonds. The ratio could be fixed or dynamic. It effectively combines the most advantageous aspects of two mutual funds by allocating, say, 60% of assets to stocks and 40% to bonds, or vice versa. Instead of sticking to lower but consistent income schemes, this technique is appropriate for investors who are willing to take on more risk in order to gain from "debt plus returns."

5. MUTUAL FUNDS BASED ON STRUCTURE

Mutual funds can be classified based on a variety of variables, including asset type and risk profile. The level of flexibility in trading individual mutual fund units determines the three structural classification categories: interval funds, closed-ended funds, and open-ended funds.

a. Open-Ended Funds

An investor can freely trade these funds and remove their investment at any moment based on the current Net Asset Value (NAV). These funds do not have any time or unit constraints. The unit's capital fluctuates on a regular basis as members join and leave. If an open-ended fund deems that it is unable to handle large sums of money or does not wish to allow new investors, it may decide to stop accepting them as well.

b. Closed-Ended Funds

The predefined unit capital in this situation prevents them from surpassing the agreed-upon quantity of units to be sold. Furthermore, some funds have a New Fund Offer (NFO) period, which serves as a deadline for acquiring units. The investment has a specified maturity length, and the fund managers can adjust to the fund's size, whether large or little. To leave the program, SEBI requires that investors be given a repurchase option or be listed in equity markets.

c. Interval Funds

This combines the properties of both closed and open-ended funds. Interval funds are inaccessible during non-operational periods and can only be purchased or liquidated at certain intervals set by the fund company. Transfers will be forbidden for at least two years. This is appropriate for people who want to commit a significant quantity of money for a short period of time (3-12 months).

6. MUTUAL FUNDS BASED ON INVESTMENT GOALS

a. Growth Funds

Growth funds generally invest a major amount of their assets in industries and stocks that are predicted to undergo rapid growth. This makes them appealing to investors, particularly Millennials, who have extra income to invest in riskier but potentially more rewarding prospects, or who have a good attitude toward this investment technique.

b. Income Funds

This falls within the debt mutual fund category, which distributes assets among bonds, certificates of deposit, and securities. Income funds, managed by competent fund managers, attempt to deliver larger returns for investors than deposits while maintaining the portfolio's creditworthiness. These funds are ideal for risk-averse investors with a two to three-year investment horizon.

c. Liquid Funds

This investment falls under the debt fund category, comparable to income funds, because it distributes capital to money market and debt instruments with a maximum maturity of 91 days. The maximum investment allowed is Rs. 10 lakh. Liquid Funds' Net Asset Value (NAV) is computed daily, 365 days a year, including Sundays, as opposed to other debt funds' NAV, which is calculated only on business days. This is a differentiating feature that sets Liquid Funds apart from other debt funds.

d. Tax-Saving Funds

The Equity Linked Savings Scheme (ELSS) is gaining popularity because of its twin benefits of tax avoidance and wealth development, as well as its very short three-year lock-in period. According to reports, investing primarily in stocks (and related investments) can result in tax-exempt returns of 14% to 16%. Investors with solid salaries and a long investing horizon are most suited to this opportunity.

e. Aggressive Growth Funds

The Aggressive Growth Fund, which seeks to generate high financial returns, is a slightly riskier investment option. You can select one based on the fund's beta, which evaluates its performance relative to the market while being influenced by market volatility.

If the market's beta is one or below, an aggressive growth fund will have a beta greater than 1.10.

f. Capital Protection Funds

Capital Protection Funds might help you keep your principal investment even with low returns (up to 12%). Your money are allocated between the fund manager's investments in stocks and fixed-income products like bonds or certificates of deposit (CDs). You will not have any losses. However, it is crucial to realize that returns are taxed, and you must protect your savings for at least three years (in the case of closed-ended investments).

g. Fixed Maturity Funds

As the fiscal year comes to a close, investors decide to take advantage of triple indexation, lowering their tax bill. Fixed Maturity Plans (FMP) are a good option if you are concerned about debt market swings and the dangers that come with them. Fixed Maturity Plans (FMPs), like Fixed Deposits (FDs), are investment schemes with fixed maturity periods ranging from one month to five years. To ensure that interest is accrued at the FMP's maturity date, the fund management invests the assets in investments with the same term.

h. Pension Funds

To ensure your family's financial stability when you leave your job, consider contributing a portion of your wages to a pension fund. This money will accrue over time and cover unforeseen expenses, such as a child's wedding or a medical emergency. Dependence solely on savings for financial security in retirement is ill-advised, as savings, regardless of size, will ultimately run out. EPF is one example; however, banks, insurance companies, and other businesses provide a wide range of lucrative schemes.

7. MUTUAL FUNDS BASED ON RISKS

a. Very Low-Risk Funds

Despite their small returns, which are frequently restricted at 6%, liquid funds and ultra short-term funds, with durations ranging from one month to one year, represent no major risk. Investors make this decision with the idea of meeting their immediate financial objectives while also maintaining the security of their funds until that time.

b. Low-Risk Funds

Investors are hesitant to allocate cash to more volatile funds in the case of a sudden national crisis or currency devaluation. Financial experts propose investing in liquid, very short-term, or arbitrage funds, either separately or in combination. The range of returns can range from 6 to 8%; however, investors have the flexibility to make modifications once prices stabilize.

c. Medium-risk Funds

The fund management allocates a portion of the investment to debt and the remaining to equity funds, resulting in a medium level of risk. Average returns normally range from 9 to 12%, and the net asset value (NAV) is quite stable.

d. High-risk Funds

High-risk mutual funds require proactive fund management and are best suited for investors who have a high risk tolerance and desire big returns in the form of dividends and interest. Regular performance reviews are required due to the potential impact of market volatility. While high-risk funds often generate 20% returns (and rarely up to 30%), it is prudent to expect 15% returns.

5. Specialized Mutual Funds

a. Sector Funds

Sector funds are mutual funds that only invest in a single subject or industry. These funds are more risky because they only invest in a small number of securities within specified sectors. It is critical to stay up to date on market movements, and if there is a fall, it is best to exit quickly. Nonetheless, sector funds provide extraordinary returns. Finance, information technology, and pharmaceuticals have all seen significant growth in recent years, and this trend is expected to continue.

b. Index Funds

Index funds are ideal for passive investors since they distribute their assets to an index. A fund manager does not oversee it. An index fund simply detects stocks in the market index and their respective ratios, and then allocates funds to comparable equities in equal amounts. To mitigate risk, they prefer to mirror the index's performance, even if they are unable to outperform the market. This explains why they are unpopular in India.

c. Funds of Funds

A well-diversified mutual fund investing portfolio has numerous advantages. "Funds of Funds," often known as multi-manager mutual funds, are expressly designed to optimize these benefits by dividing their assets across various fund categories. In conclusion, investing in a single fund that includes several funds rather than participating in various funds separately allows for cost savings and diversification.

d. Emerging market Funds

Investing in emerging economies is regarded as a risky undertaking, with a track record of poor financial consequences. Despite the active and progressive nature of the Indian stock market, investors may suffer significant financial losses due to market volatility. In contrast, developing economies are expected to generate the majority of global growth in the coming decade due to their far quicker rates of economic expansion than the United States or the United Kingdom.

e. International/ Foreign Funds

Foreign Mutual Funds, which are popular among investors seeking foreign diversification, can produce rich returns even if the Indian stock market performs well. An investor can use a feeder strategy, which entails obtaining local money to invest in overseas enterprises. Alternatively, they can use a hybrid approach, in which a portion of their investment (such as 60%) is dedicated to domestic equities while the other half is invested in offshore funds. Another option is theme-based allocation, in which the investor focuses on a specific theme, such as gold mining.

f. Global Funds

Global and international money are fundamentally distinct, while possessing a similar linguistic sense. A global fund invests in both domestic and international markets. The International Funds focus solely on global markets, neglecting domestic ones. Global Funds, despite its broad and diverse strategy, can be very volatile due to changes in legislation, market conditions, and currency exchange rates. They do, however, serve as a hedge against inflation, and their previous ability in creating long-term returns has contributed significantly to their success.

g. Real Estate Funds

Despite India's expanding real estate sector, many people are hesitant to invest in such projects because of the associated dangers. By choosing real estate funds over individual projects, investors can indirectly participate in the real estate market by investing in established corporations or trusts. As a long-term investment, it reduces the risks and legal hassles associated with property purchasing while also providing a level of liquidity.

h. Commodity-focused Stock Funds

Commodity-focused stock funds are ideal for investors seeking portfolio diversification and a high risk tolerance because they provide a variety of trading options. Investment returns are dependent on the success of either the underlying commodity or the stock business, and they are not received on a regular basis. Mutual funds are the only entities in India that can invest directly in gold. The remaining funds are used to buy shares or units of funds from commodity companies.

i. Market Neutral Funds

Market-neutral funds, such as hedge funds, are a trustworthy option for investors looking to keep strong returns while protecting against severe market swings. These funds generate greater returns by properly controlling risk, allowing even small investors to outperform the market while remaining within portfolio limitations.

j. Inverse/leveraged Funds

The returns of an inverse index fund move in the opposite direction of the benchmark index, whereas the returns of a conventional index fund move in tandem with it. Essentially, it entails selling your shares when the market falls and then buying them again at a lower price, with the objective of keeping them until the price increases again.

k. Asset Allocation Funds

This fund is extremely versatile because it combines debt, equity, and gold in an ideal proportion. Asset Allocation: Funds have the ability to regulate the allocation of equity and debt using a pre-established formula or fund managers' estimates based on current market trends. It resembles hybrid funds, but the fund manager must have extensive experience selecting and allocating bonds and equities.

l. Gift Funds

Indeed, you can give your loved ones with a Systematic Investment Plan (SIP) or a mutual fund to help them secure their financial future.

m. Exchange-traded Funds

It is traded on exchanges and is classified as an Index Fund. Exchange-traded funds (ETFs) offer investors a diverse range of investing options, allowing them to gain exposure to both domestic and international stock markets, as well as specialized industries. An exchange-traded fund (ETF) works similarly to a mutual fund, allowing for real-time trading at a price that can change during the day. Use a newly constructed database. This database was constructed by combining a database of mutual fund holdings with a database of mutual fund net returns, expenses, turnover rates, and other pertinent information.

8. CONCLUSION

Understanding mutual fund investor viewpoints is critical for optimizing investment strategies and encouraging market participation. Investor behavior is heavily influenced by a variety of factors, including views toward performance, risk, fees, transparency, and the regulatory framework. To boost trust and confidence in mutual fund investments, it is critical to dispel these beliefs through investor education, transparency initiatives, and strong regulation. This will ultimately improve market stability and efficiency..

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