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Cognizance Level and Opinion of Retail Investors with Reference to Mutual Fund as an Investment Option: A Study in Guwahati City

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Abstract

Mutual fund is a type of financial vehicle made up of pool of money collected from investors to invest in securities like stocks, bonds, money market instruments and other assets. The aim of the study is to understand the awareness of retail investors regarding mutual funds, to explore different investment avenues that retail investors prefer and to determine the investor's preference for different mutual fund schemes. For analyzing the retail investors preferences descriptive study has been conducted. Data has been collected from the respondents using structured questionnaires cum google forms. Secondary information has been obtained from various websites, journals and published articles. To analyze and interpret the study further simple statistical tools have been used for the data collected. The research reveals that mutual fund is now seen as a safe alternative for retail investors and it has been observed that maximum respondents prefer equity and balanced fund among all other mutual fund schemes. The analysis has also revealed that growth schemes, balanced schemes and tax savings schemes are the schemes that investors are mostly aware of and they invest in. It has been found that, though many are aware of the mutual fund options but a large portion of investors rely on low return mode of investment due to safety of capital. Even though this investment avenue has gained popularity but the safety of capital is still a concerning factor for which expert management of portfolio must be given higher priority.

Keywords: Mutual Fund, Retail Investors, Cognizance level, Opinion, Guwahati city.
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Introduction

Cognizance is a formal word meaning awareness or knowledge. Cognizance level refers to the level of understanding or knowledge one has in a subject matter hereby referring to Mutual Funds awareness among retail investors. A retail investor is a non-professional investor, also known as individual investor. Retail investors have an increasing impact on the market. Anyone who doesn't do investing as a career is considered as a retail investor. Mutual fund in simple words is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments and other assets. Mutual funds are operated by professional money managers, who allocate the funds and attempt to produce capital gains or income for the funds invested. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. 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 capital of the fund - derived by the aggregating performance of the underlying investments. Mutual funds provide the best option to the investors who have no knowledge of the stock market. 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.

Review of Literature

From the past few years, it has been observed that Indian mutual fund has gained a lot of popularity. Earlier only UTI enjoyed monopoly in this industry but now other players have entered the market, making it more diverse (Saini S. et.al, 2011). The industry is growing rapidly and this is reflected in the increasing assets under management of various fund houses. The preference of retail investors towards mutual fund has helped the companies to create new and innovative product on the orientation of investor's equity-based schemes (Aswathy B.A., et.al. 2015). A survey conducted by Ranganathan K. (2004) on mutual fund in Mumbai revealed that investors prefer performance records, brand name, expense ratio, portfolio of investment, reputation of portfolio manager, withdrawal/exit facility, products with tax benefits and load charges for taking decision on investments in mutual funds. Return on investments, capital appreciation and tax savings are found to be the most influencing factors in inducing most of the investors to opt for the mutual fund (MF) schemes, and this was found from a study conducted on 200 investors by Chalam, G.V. (2003). A study among the investors of the North Eastern region towards equity and mutual funds investment portfolio revealed that the salaried and self-employed formed the major investors in MFs primarily due to tax concessions (Sikidar S. et.al., 1996). Surveys have reported changes to be found in financial decision-making and investors' behaviour, due to investors' participation in investment education programs. In India, SEBI started such awareness program for small investors, which has started giving benefits, in terms of value investing and informed investing from retail investors (Philip, 1995).

Multiple studies have been conducted on mutual fund and its investment pattern explaining how mutual fund has gained popularity and how investors have become more aware regarding different investment options available. However, only limited studies have been conducted on retail investors' cognizance level on different mutual fund avenues that are available, specifically in Guwahati city of Assam. This study attempts to know the retail investor's behaviour regarding investment in mutual fund schemes and to ascertain the reason for different choices. The study also tries to understand the retail investors' cognizance level and their opinion of mutual funds as an investment option.

Significance of the Study

In today's date mutual fund is an investment avenue basically for salaried employees as it has various tax benefits. A big boom has been witnessed in mutual fund in recent times. A large number of new players have entered the market trying to gain market share in this rapidly growing market. Mutual funds are an excellent source of investment. There are different traditional investments available such as gold investment, government bonds, real estate, post office saving schemes, insurance and fixed deposit etc. Most of the investors are gaining awareness of mutual fund irrespective of age, gender, and income. In reality, most people investing in mutual funds are not clear regarding its different functioning and management. Subsequently, the business organizations which are offering mutual funds need to provide absolute and accurate information to the investors regarding all the different options available. The study helps in understanding the retail investor's outlook towards mutual fund investments in relation to other investment avenues. It also helps in creating awareness among the people as all the respondents considered for the study do not have the adequate knowledge on mutual fund options. Thus, the study also provides a scope to create awareness among the potential as well as existing investors.

Objective of the Study

The study has been conducted keeping into view the following objectives:

i. To explore the retail investors' cognizance level and outlook towards mutual fund investments in Guwahati city of Assam.

ii. To determine the investor's preference for different mutual fund schemes in the studied area.

Research Methodology

The data for this study have been collected both from primary and secondary sources. The primary data on cognizance, preference, affordability, opinion, knowledge etc., of the respondents have been collected. The secondary sources of information have been attained from various journals, websites, articles, etc. relating to the subject matter.

Retail investors from the selected areas of Guwahati city have been ascertained for the purpose of collecting primary data. For the data collection purpose, google forms have been circulated to 300 retail investors in the month of August 2022. The data of around 3000 investors have been received from a mutual fund advisor of Guwahati region. The google form was then circulated on a convenient basis to 300 investors (10% of the total investors of the region), out of which 209 responses have been received within the stipulated time (August-October 2022). Due to time constraints the survey had to be restricted to 209 respondents and therefore analysis and interpretation was conducted on 209 retail investors.

Results and Discussion

Age Group of Investors

The respondents of the study area were categorized into certain divisions as per their age group. The age brackets were 18-30 years, 31-40 years, 41-50 age group, 51-60 age group and above 61. Majority of the respondents (investors of mutual funds) in the study area were seen to fall under the age bracket of 41-50 followed by 31-40 and then below 30. The least responses have been received from the age group above 61. The surveyed area had more investors from the 41-50 age groups as they were more aware of all the investment prospects. From the survey it could be analyzed that above 61 age group, the respondents have already been through their investment phase and now they are reaping the benefits of those investment, hence they are reluctant to make any new investments.

Gender of Investors

On finding the male female ratio of the respondents/retail investors it clearly indicates that there wasn't a vast difference in their ratio - it was 55:45, which portrays an image that the ratio of female investors has increased considerably compared to female investors in the past.

Occupation of Investors

The study has revealed most of the respondents to be salaried employees, as the salaried employees have limited source of income and are always in search of different modes of earnings. So, they are more aware of the different investment schemes available. The least response was received from other categories which were mostly business owners, as their investment priorities are different and they prefer investing in business rather than investing in the mutual fund market.

Income of Respondents

The incomes of maximum investors in the study area were between Rs 20,000-50,000, followed by investors whose earnings were above 100,000 rupees. This shows that the retail investors of the study area prefer to invest after they have a stable income or when they have enough money to spare on investments after all the expenditure incurred. The least response was attained from below 20,000 income group as this income group people has very less dispensable amount to invest in MFs. Mostly students and fresher's fall under the category of below 20,000 incomes.

Investment in Mutual Funds

The study has shown almost 70% of the respondents to invest in mutual funds, which shows the awareness level of mutual funds among people of the study area. The study on the awareness of mutual funds has become easier as many retail investors are consciously investing in mutual funds and in different schemes.

Respondents Mutual Fund Investment Preference

Table 1 clearly indicates the respondent's preference towards different mutual fund options. Majority of the retail investors invest or prefer equity funds followed by balanced funds. These two mutual fund schemes are widely known and used. Equity funds scheme provides retail investors an opportunity to invest in equity market with lower risk compared to share market. And balanced funds, is popular among the retail investors as it gives a safety net along with higher market return.

Table 1: Table showing respondents investment preference

Particulars	***Frequency***	***Percentage***
Equity Funds	138	94.5%
Fixed Income Funds	34	23.3%
Balanced Funds	106	72.6%
Income Funds	25	17.1%

Source: Online survey through Google form, 2022

Percentage of income invested in mutual funds

From table 2 it can be seen that majority of the respondents invest 11-15% of their investible amount on mutual funds, this percentage is a reasonable amount that retail investors prefer. The study found 26% of the investors to invest 16-20% of their investible amount on mutual funds, followed by 31.5%. Percentage of investment 'less than 5%' has received the least response as mutual fund is a safer market compared to other volatile markets and hence retail investors are not reluctant to invest higher amount in mutual funds.

Table 2: Respondents percentage of income invested in mutual funds

Percentage of Investment	***Frequency***	***Percentage***
Less than 5%	14	9.6%
6-10%	28	19.2%
11-15%	46	31.5%
16-20%	38	26 %
More than 21%	20	13.7%
TOTAL	146	100%

Source: Online survey through Google Form, 2022

Ranking in terms of preference of retail investors apart from MFs

Table 3 shows the preference of retail investors who invest in options other than mutual funds. The retail investors who do not invest in mutual funds mostly invest in fixed deposit and bonds. These investors can be categorized as risk averse and hence they want a safe investment which fixed deposit can provide them. These investors are looking for higher return and safety of capital invested. Retail investors also prefer gold savings over mutual funds for the same reason as they are safer investment compared to mutual funds. Some retail investors who have the knowledge of stock market prefer investing in stocks as mutual funds are time bound but in stocks there is no lock-in period and is more liquid compared to mutual funds. There were least investors investing in crypto-currency as it is highly volatile and retail investors are not keen on investing in such risky investments.

Table 3: *Preference of retail investors apart from Mutual Funds*

Ranking in terms of preference of retail investors apart from MFs	***Percentage***	***Ranking***
FIXED DEPOSIT	6.8%	1
BONDS	6.2%	2
STOCKS	5.3%	3
GOLD SAVINGS	5%	4
INSURANCE	4.8%	5
NATIONAL PENSION SCHEME	4%	6
REAL ESTATE	3.6%	7
PROVIDENT FUND	3.8%	8
CRYPTOCURRENCIES	3.3%	9

Source: Online survey through Google Form, 2022

Schemes Opted by Mutual Fund Investors

The table below shows the popular schemes that mutual fund investors invest in. Majority of them were seen investing in Growth Schemes, Balanced Schemes and Tax saving schemes. These schemes serve the retail investors purpose of yielding higher returns.

Table 4: *Schemes Opted by Mutual Fund Investors*

Schemes Opted by Mutual Fund Investors	***Frequency***	***Percentage***
Growth Schemes	138	93.2%
Income Schemes	14	9.5%
Balanced Schemes	112	75.7%
Tax saving Schemes (ELSS, ULIP)	79	53.4%
Money Market Schemes	21	14.2%
Index Schemes	17	11.5%
Fixed Income Schemes	31	20.9%

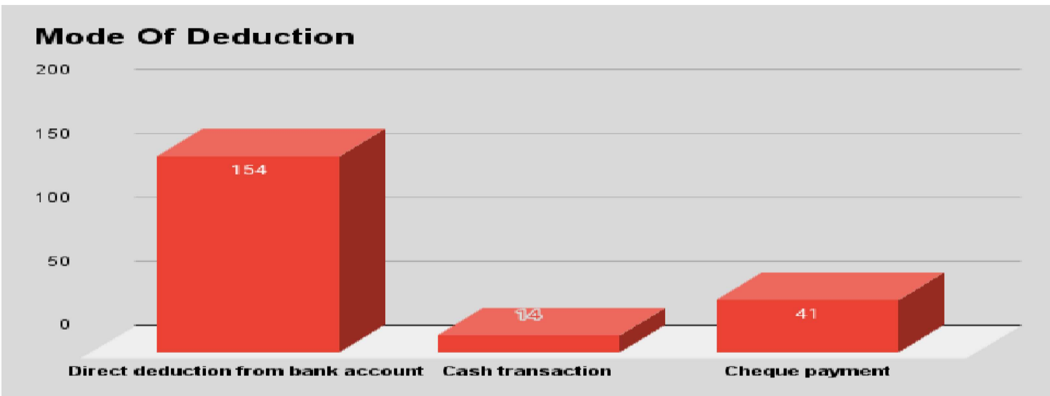
Source: Online survey through Google Form, 2022

Investment Term Investors Prefer

The study clearly indicates that majority of the respondents prefer to invest in mutual funds for a long-term period as mutual funds yield better returns when invested for a longer period of time as compared to short term.

Mode of Deduction

Figure 1: Mode of Deduction of Investment



The mode of deduction of investment is clearly evident from the figure 1 above. It could be seen that majority of the investment transactions are made directly through bank account. These days every individual has a bank account and it is easier to make monthly or yearly investment payments through the bank as it is hassle free. Cash transaction is rarely used by investors to make payments as it is time consuming and troublesome for an investor on a regular basis.

Different Factors that Influence the Retail Investors Investment Pattern

Table 5 above shows 'Professional management' to be the most influencing factor compelling the investors to invest in MFs, as the investors do not need to manage the investment on their own. It is followed by 'flexibility of investing', as mutual funds have a high range of flexibility of investing in equity, debt and balanced funds. The third important factor that occasionally influences the investors to invest in mutual fund is 'tax benefit' as mutual funds provide high tax savings on the investment. The factor that does not influence is also professional management as some investors do not invest in mutual funds for the management but because of the higher return.

Table 5: D*ifferent Factors that Influence the Retail Investors Investment Pattern*

Particulars	Mostly Influenced	Influenced	Occasionally Influenced	Not Influenced
Safety of Capital	16.5%	50.4%	31.1%	1.8%
Flexibility of investing	24.7%	70.6%	3.6%	0.9%
Higher return	30.2%	60.5%	6.4%	1.8%
Tax Benefits	44%	23%	30.3%	2.7%
Professional Management	66%	19.3%	3.7%	11%
Diversification	27.5%	55%	16.5%	1%
Liquidity	11%	70.6%	14.6%	3.8%

Source: Online survey through Google Form, 2022

The table shows that 66.9% of the investors are influenced by safety of capital and 32.9% of the investors are not influenced by it. Flexibility of investing is a highly influential factor of investment; it has 95.3% investors who are influenced as mutual funds have various schemes for every investor purpose and a nominal 5.5% of investors are not influenced by this factor. 90.7% of investors are influenced by higher return, it is one of the main reasons for investing in mutual funds. 81.6% of the investors are influenced by liquidity as most investors invest for long-term and the money invested is locked for a certain period that is in alignment with the investor's investment pattern.

Conclusion

Mutual fund in simple words is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual funds give retail investors access to professionally managed portfolios of equities, bonds, and other securities. The study is very important in order to judge and understand the investment preference of retail investors regarding mutual funds. Investors behaviour, level of awareness, opinion and preferences for different mutual fund schemes are studied in this study. The research outlined that mostly the investors have moderate level awareness and positive approach towards investing in Mutual Fund. This study gives a clear picture about the cognizance of investors in the Guwahati city which was the main aim of this research. The retail investors are mostly aware but some percentages of respondents are still unaware of this investment prospect. This study showcases that investor prefer equity funds the most compared to any other funds and most of them were seen investing in Growth Schemes, Balanced Schemes and Tax saving schemes. Transparency and liquidity were seen to be the major influencing factors for retail investors as every investor wants to know and understand how and where their investment is and what is the actual return they are incurring from such investment.

From the research we can conclude that mutual funds are the modern-day safe investment prospect but more emphasis needs to be given to good expert management as it is a key factor in attaining the desired investment goals. This is also the reason why some investors are unsatisfied with the lock-in period. Retail investors are aware of the mutual fund but not every investor has complete knowledge of the various schemes and how those schemes can benefit them, hence they invest in equity funds rather than investing in balanced funds or income funds. More awareness can be circulated to retail investors and potential investors through free seminars and different education programmes on the said topics so that the investors can reap the benefits of different schemes.

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