

Investors Perception towards Mid – Cap Equity Oriented Mutual Funds in India

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ABSTRACT

Equity fund is highly preferred scheme among choices for investors. Equity schemes are classified into different categories based on capitalization. They are large-cap funds, mid-cap funds, and small-cap funds. Among these categories of funds, Mid-cap funds are highly preferred schemes for investors expecting high return with moderate risk. The present study analyzes the profile, perception and satisfaction level of investors in mid-cap funds. This study is purely based on primary data. The study concludes that the majority of the investors are mid-aged people and men investors are more than women. Most of the investors have graduation and belong to the small size of the saving group. The investors have moderately satisfied with mid-cap fund investment on an average basis.

Keywords: Mid-cap Equity Funds, Perception and Investors Satisfaction.

INTRODUCTION:

Economic development of any country necessarily depends on a sound financial system of a country. The financial system includes four components viz., financial markets, financial assets, financial institutions, and financial services. These components are well interrelated and interconnected with each other to support economic development. The financial system facilitates fund transfer from surplus sector to deficit sector. Mutual funds are part of financial institutions in the financial system and playing a significant role in the capital formation process. There are presently 44 (on December 11, 2018) asset management companies functioning with a network structure. The fund mobilization has been substantially increased over a period of time. Total gross amount mobilized by the mutual fund industry was Rs. 97, 68,100 crores in 2013-14 financial year. The industry is registered with a high growth rate over a period of time. The Compounded Annual Growth Rate (CAGR) was 16 percent for the period from 2011 to 2015. So, the mutual fund industry has been playing a very significant role in the progress of the economy of India by becoming a key industry in providing capital to economic activities.

LITERATURE REVIEW:

Jayant R. Kale and Venkatesh Panchapagesan (2012) conducted a research study titled *Indian Mutual Fund Industry: Opportunities and Challenges*. In this research paper, an overview of Indian mutual funds was studied. The study concluded that the mutual fund industry had grown and it has opportunities to grow in the future also. In spite of this growth, mutual funds remained a small player in Indian financial market. The According to the study, the reasons for this are poor financial literacy, equity culture, and weak supportive regulatory environment according to the study. Dunna (2012) conducted a study which is entitled *Mutual Funds in India—Issues, Opportunities and Challenges*. The researcher examined various challenges and opportunities for the mutual fund industry since its inception. The study

found that various financial and economic reforms have been made and these reforms have given a wave of opportunities to the industry.

Devakumar V.K. (1987), in his research paper entitled “Indian Stock Market”, tried to study the investors in Indian stock market. As per the study, there were very few investors in early 1985 and they were knowledgeable. During the year 1985, thousands of new investors entered the market. The new investors suffered from heavy losses compared to the professionals. A good number of investors have walked out of the stock market to safer areas like UTI units, NSC etc. There was a mild shift in investment preferences toward mutual funds also.

Shunmugham and Muthuswamy (2000) in their research paper entitled “Decision Process of Individual Investors in Indian Capital Market”, examined the decision-making process of individual investors in the capital market. The study reported that, among the various factors, psychological and sociological factors dominated the investment decision.

T.R. Rajeswari and V.E. Ramoorthy (2001), conducted a study entitled “Mutual-Know Thy Investors”, to examine the awareness level among retail investors about concept and functioning of mutual funds in Mumbai, Bangalore, and Hyderabad. The study concluded that large number of small investors with a great appetite for wealth entered the mutual fund industry. The awareness level was high and the study suggested that investors need to be educated about the risk involved in mutual funds investment.

NEED FOR THE STUDY:

In the changed scenario, Asset Management Companies are offering a wide variety of schemes to meet the different needs of small investors and medium investors. The basic types of schemes are equity, debt and balanced schemes. The majority of the investors have invested savings in equity scheme. Equity scheme carries high return with high risk to investors. Based on capitalization, equity schemes are further classified into three categories. They are a small cap, mid-cap, and large-cap equity funds. The possible degree of risk and return is different from each other and it influences the investment decision of investors. Therefore it is felt that it is necessary to study the investors' perception on equity capitalization schemes. In this view, Investors' Perception towards Mid-cap Equity Oriented Mutual Funds in India is undertaken for study. This study certainly provides inputs to fund managers and investors for taking a decision.

OBJECTIVES OF THE STUDY:

The objectives of the present study are as follows:

1. To study the demographic profile of investors in mid-cap funds
2. To analyze the perception of investors towards mid-cap funds and
3. To examine the satisfaction level of investors in mid-cap funds

METHODOLOGY:

The methodology is designed keeping in view the nature and objectives of the study.

Data collection:

This research study is based on primary data and secondary data. The primary data has been collected from a survey method using a structured questionnaire. The secondary data has been collected from mutual fund website.

Sample Size:

The sample size of the research study is 360 investors in mid-cap equity mutual funds. These investors are chosen from various districts, especially from employment, industrial and trade centers, in Karnataka state. The convenient random sampling method is adopted for collecting primary data.

Statistical Tools:

In this study, percentage method and ranking method have been used for processing and analyzing the primary data collected to arrive at a reliable conclusion.

RESULTS AND DISCUSSION:

The analysis of the study has three sections. The first section explains the demographic profile of respondent-investors and in the second section, the perception of investors in mid-cap equity mutual funds have been analyzed and interpreted.

A. Profile of the Respondent-Investors

The analysis of demographic factors is a pre-requisite for research study before it gets into the main area of the study. This is because the demographic factors are primary factors which have an influence on the investment decision of individuals. In this view, the demographic profile of respondent-investors is presented in table 1.

Table 1: Profile of Respondent-Investors in Mid-cap Equity oriented Mutual Funds

Sl. No.	Demographic Factors	Options	Respondents	Percentage
01	Age (in completed years)	Below 20	Nil	-
		21-30	45	12.50
		31-40	120	33.33
		41-50	98	27.22
		51-60	79	21.95
		61 and above	18	5.00
		Total	360	100
02	Gender	Male	291	80.83
		Female	69	19.17
		Total	360	100
03	Occupation	Business	80	22.22
		Agriculture	Nil	-
		Profession	36	10.00
		Employment	188	52.22
		Any other	56	15.56
		Total	360	100
04	Education	SSLC	15	4.17
		PUC	23	6.39
		Graduation	141	39.17
		Post-graduation	96	26.67
		Any other	85	23.60
		Total	360	100
05	Marital Status	Married	224	62.22
		Unmarried	136	37.78
		Total	360	100
06	Monthly Income (Rs.)	Below 20,000	28	7.78
		20,000-40,000	64	17.78
		40,000-60,000	108	30.00
		Above 60,000	160	44.44
		Total	360	100
07	Monthly Savings (% out of monthly income)	Less than 11	52	14.44
		11-20	155	43.06
		20-30	66	18.33
		30-40	33	9.17
		40-50	29	8.06
		Above 50	25	6.94
		Total	360	100

Sources: Prepared based on Primary Data

Age: Age is considered as an important parameter in the study because the saving preference of investors usually differs according to their age. So the sample respondents are classified according to their age. From the table, it is observed that the majority of respondents belong to the age group of 21-60 years. It seems the result is very natural as this is the potential earning period of the life of a human being. Here it is noted that respondents with above 60 years are very few. It is also natural on account of retirement and decline in risk taking ability.

Gender: In India, gender plays an important role in any decision of an individual. Coming to the investment in a mid-cap equity mutual fund, male respondents are 291 and female respondents are just 69. It accounted for

80.83 percent for male and 19.17 percent for female. It clearly shows that male respondents are more than four times of female respondents.

Occupation: The occupation is one of the important determinants of savings and investment decision. From the table, it is noticed that the majority of the respondents surveyed are from employment zone (55.22%). The 22.22 percent of respondents are businessmen and 10 percent are professionals. The respondents belong to other category is 15.56 percent. So it is clear that people with employment have comparatively much interest in mid-cap equity funds.

Education: The fund preference and general perception of investors with regard to mutual fund investment, most of the times, depends on educational qualification. In general, people with high educational qualification have more awareness and can take a rational decision. It is observed that 141 respondents have graduation. It constituted 39.17 percent of total respondents. Next, to that 96 respondents have post-graduation and it accounted for 26.67 percent of respondents. The respondents with SSLC and PUC are just 38 and it accounts for 10.56 percent in total respondents. Hence it is found that majority of the respondent-investors have the qualification of higher education. So it indicates that the respondents have more awareness and study of their perception provides a better input to arrive at meaningful outcome.

Marital Status: Marital status certainly influences the savings of individuals and family. It is hereby observed that 224 respondents are married. It is accounted for 62.22 percent of respondents. And 136 respondents are unmarried and it accounted for 37.78 percent in total respondents. It clearly shows that married people have more interest in mid-cap equity funds.

Monthly Income: Income is major determinant of savings and investment in mutual funds. 108 respondents belong to the monthly income group of Rs. 40,000 to 60,000. This group accounted for 30 percent of total respondents. 160 respondents are having monthly income of more than Rs. 60,000. And 64 respondents accounting for 18 percent are having monthly income between Rs. 20,000 to 40,000. Only 7.78 percent of respondents belong to the monthly income group of less than Rs. 20,000. Majority of respondents have monthly income more than Rs. 40,000. They fall under the higher income groups considered for the study. They are capable of making investment. Hence, the analysis of their perception on mid-cap mutual funds makes the study more meaningful.

Monthly Savings: Savings is related to income and financial obligation of individuals. In turn, investment is directly related to savings. Higher savings lead to high investment or vice-versa. Keeping this in view the sample respondents are classified according to their monthly savings. The majority of the respondent-investors have savings between 11-20 percent of their income. The 66 respondents accounting 18.33 percent have savings between 20 to 30 percent in the income. And 52 respondents have savings which are less than 11 percent of income. The respondents having savings above of 30 percent are comparatively less. From the analysis, it is said that majority of the people have savings between 11-20 percent. Totally, 308 respondents save more than 11 percent of their income.

Based on the above demographic analysis of respondents considered for the study, it can be concluded that the portfolio of respondents composed of majority of respondents from the age-group of 30-60; from almost all occupations having good education background working for handsome monthly income (considered under the study) with moderate savings. The people, with moderate regular savings now-a-day usually follow SIP (Systematic Investment Plan) route to make investment, pump in funds consistently and continuously which facilitate an economy to grow and sustain. Hence, analysis of perception of these investors contributes quality inputs to the study to arrive at meaningful results.

B. Investors’ Perception towards Large-cap Equity Mutual Funds:

The perception of respondent-investors is analyzed on various aspects of mid-cap equity mutual funds. The details of it are presented in table 2.

Table 2: Investors Perception towards Mid-cap Equity Mutual Funds

Sl. No.	Factors	Options	Respondents	Percentage
01	Percentage of Savings Invested in Mutual Funds	Less than 11%	235	65.28
		11-20%	74	20.56
		21-30%	23	6.39
		31-40%	16	4.44
		41-50%	12	3.33
		Total	360	100

Sl. No.	Factors	Options	Respondents	Percentage
02	Information Sources (Multiple Options)	Brokers/agents	272	75.56
		Scheme Information Documents	234	65.00
		Advertisement	313	86.94
		Annual report	145	40.28
		Newspapers	291	80.83
		Magazines	152	42.22
		Friends	287	79.72
		Relatives	138	38.33
		Internet	325	90.28
		Any other	233	64.72
03	Types of Schemes	Open-ended scheme	287	79.72
		Close-ended scheme	73	20.28
		Interval	18	5.00
04	Preference for Schemes	New Fund Offer	94	26.11
		Existing Mutual Fund Schemes	324	90.00
05	Investment Way	Agent/Distributors	312	86.67
		Direct	138	38.33
06	Mode of Investment	Lumpsum	55	15.28
		SIP	323	89.72
		Irregular Interval	48	13.33
07	Method of Investment	Cheque	147	40.83
		Online	62	17.22
		Auto-debit System	291	80.83
		Any other	13	3.61
08	Expected Risk	High Risk	123	34.17
		Moderate Risk	155	43.06
		Low Risk	42	11.67
		Avoid taking Risk	40	11.11
		Total	360	100
09	Expected Return	5-10%	-	-
		11-15%	25	6.94
		16-20%	128	35.56
		Above 20%	207	57.50
		Total	360	100

Source: Prepared based on Primary Data

Percentage of Savings invested in Mutual Funds: From table 2, it is observed that 235 respondents accounting for 65.28 percent in the group investing less than 11 percent of their savings in mid-cap funds. It is accounted for more than the half of total respondents. And next to that, 74 respondents have invested 11-20 percent of their savings in the mid-cap fund. It accounts for 20.56 percent in the group. The respondents investing 31-40 percent and 41-50 percent are 23 and 16. None of the respondents is investing above 50 percent of savings in mid-cap funds. It is importantly found that the number of respondents has been decreased with an increase in investment of monthly savings.

Information Sources: The source of information is very important for investors to make a decision in mutual funds. The reliable and trusted source motivates people for investment. In the survey, it is found that internet is the main source of information for the majority of respondents as it has the highest responses (325) compared to others. Advertisement and newspapers are also the major source of information after the internet to the respondents. These sources have responses of 313 and 291 respectively. The friends and brokers got 287 and 272 responses as source of information. There are also other sources of information which have comparatively less responses.

Types of Schemes: It is observed that the number of respondents invested in the open-ended scheme is 287

which constituted 79.72 percent of total respondents. So that it is a more preferred scheme for investment. The next preferred scheme is a close-ended scheme in which 73 respondents have invested. The 18 respondents accounting for only 5 percent have invested in interval scheme. From the analysis, it is noted that close-ended and interval scheme have not highly preferred schemes.

Preference of scheme: There are basically two types of schemes which are new fund offer and an existing scheme. The number of investors invested in new fund offer is 94 and it is accounted 26.11 percent in total respondents. Whereas, investors in existing funds are so large that is 324 respondents which constituted 90 percent in the group. Therefore it is found that the existing scheme is the most popular and preferred scheme for the majority of investors. This is perhaps on account of availability track record of a scheme.

Investment Way: There are importantly two ways for investment. They are agent/distributors and direct method. The 312 respondent-investors have made the investment through agent/distributors. It accounted for 86.67 percent in total respondents. The respondents made the investment through direct method are 138 which constituted 38.33 percent in total respondents. It is hereby noted that the indirect method is the most popular and preferred method which is used by the majority of respondent-investors.

Mode of Investment: Table-2 also depicts information about the mode of investment used by respondent-investors for investment in mutual funds. In mid-cap funds, 323 respondents sharing 89.72 percent in the total number of respondents using systematic investment plan for investment in mutual fund. And 55 respondents constituting 15.28 percent made investment in mutual fund through lumpsum option. The irregular interval as a mode of investment is used by 48 respondents which account for 13.33 percent of total.

Method of Investment: There are different methods of investment in mutual funds. Here investors are classified based on the method of investment. The survey reveals that 291 respondents have used the auto-debit system for investment. It constituted 80.83 percent in total respondents. So it is a more preferred method of investment in mutual funds by the majority of investors. The next preferred method of investment is cheque followed by the online banking system. Other option has low responses so it is considered as a least preferred method of investment in mutual funds.

Expected Risk: The table-2 also provides information about the expected risk of investors in mid-cap funds. It is hereby noticed that majority of the respondents expected moderate risk in mid-cap investment. The 123 respondents sharing 34.17 percent in total have expected high risk. The low risk is expected by the 42 respondents which account for 11.67 percent in total. There are also 40 respondents who have not interested in taking a risk in mid-cap funds.

Expected Return: In the survey, it is found that more than 57.50 percent of respondents are expecting return above 20 percent on investment in mid-cap funds. Next to that 128 respondents expected return between 16-20 percent. And 25 respondents are expecting return between 11-15 percent. None of respondents expected return less than 10 percent.

Investors Satisfaction on Investment in Mid-cap Equity Mutual Funds:

In this section, the analysis is made on investors' satisfaction on investment in mid-cap equity funds. The details of it are presented in table 3.

Table 3: Investors Satisfaction on Mid-cap Equity Mutual Funds

Sl. No	Options	Mid-cap Equity Mutual Funds							
		Number of Respondents							
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total Score	Average Score	Rank
01	Schemes	79	113	89	37	42	1230	3.42	7
02	Risk	97	57	65	77	64	1126	3.13	11
03	Return	77	117	56	45	65	1176	3.27	9
04	Investment services	112	84	45	87	32	1237	3.44	6
05	Relationship	65	74	102	65	54	1111	3.09	12
06	Redemption services	54	72	99	92	43	1082	3.01	14
07	Grievance redressal services	64	104	112	58	22	1210	3.36	8
08	Fund Management	107	99	61	61	32	1268	3.52	5
09	NAV Updating	135	118	12	36	59	1314	3.65	4
10	Transparency	123	133	28	34	42	1341	3.73	3

Sl. No	Options	Mid-cap Equity Mutual Funds							
		Number of Respondents							
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total Score	Average Score	Rank
11	Exit Load	93	144	78	27	18	1347	3.74	2
12	Promptness in giving information	71	106	7	102	74	1078	2.99	15
13	Clarification towards technical doubts	91	65	82	62	60	1145	3.18	10
14	Reminding next contribution payment time	203	89	11	35	22	1496	4.16	1
15	Informing time about default payment	81	74	65	72	68	1108	3.08	13
Average		96.8	96.6	60.8	59.33	46.47	-	-	-
Total		193.4		60.8	105.8		-	-	-
				360			-	-	-

Source: Prepared based on Primary Data.

Table 3 provides information about the degree of satisfaction of respondent-investors towards mid-cap funds. It is found that 292 respondents have satisfied with the factor of reminding the next contribution payment time. The number of dissatisfied respondents is 57 and 17 respondents have a neutral opinion on this factor. So this factor stood in first place in the ranking with an average score of 4.16. The exit load on which 237 respondent-investors have satisfied and it accounts for more than 65 percent in total. The dissatisfied respondents are 45 which comprised of just ‘dissatisfied’ and ‘highly dissatisfied’ respondents. The respondents with a neutral opinion on exit load are 27.

With regard to the transparency, 256 respondents have satisfied and 76 respondents have dissatisfied. The satisfied respondents are more than three times of dissatisfied respondents. There are also 28 respondents who have a neutral opinion on transparency. This factor is ranked in third place with an average score of 3.73. The satisfied respondents on NAV updating service are 253 which comprised both just satisfied and highly satisfied respondents. Dissatisfied respondents are 95 and respondents with a neutral opinion are 36. Subsequently, fund management is a most important factor on which 206 respondents have satisfied and 93 respondents have dissatisfaction. So it is said that satisfied respondents are more than two times of dissatisfied respondents. There is more than 15 percent of respondents have a neutral opinion on fund management.

Investment service is another important factor on which 196 respondents have satisfied. Among satisfied respondents, highly satisfied respondents are highest. The dissatisfied respondents are 119 in which highly dissatisfied respondents are just 32. But respondents with a neutral opinion are 45. So investment service factor having an average score of 3.44 ranked in the sixth position. With regard to scheme, there are 192 and dissatisfied are 79. There are also 89 respondents with a neutral opinion. It accounts for nearly 25 percent in total respondents. Grievance Redressal Services is one of the most important factors, on this 168 respondents have satisfied. Among the satisfied group, highly satisfied respondents are comparatively less. There are also 80 dissatisfied respondents and among these, highly dissatisfied respondents are more. The respondents with a neutral opinion are 112. These respondents seem to be large.

Relating to return aspect, the 194 respondents have satisfied. The 110 respondents dissatisfied and 56 respondents have a neutral opinion. It is ranked in ninth position with an average score of 3.27. On the factor of clarification towards technical doubts, satisfied respondents are 156 and dissatisfied respondents are 122. Respondents with a neutral opinion are 82. So this factor is ranked in the tenth position with an average score of 3.18. The risk is another most important factor that very investor considers for making a decision. On risk factor, 154 respondents have satisfied and 141 respondents have dissatisfied. The satisfied and dissatisfied respondents are almost the same. But there are 65 respondents who have expressed neutral opinion. With regard to relationship and informing about default payment, redemption services and promptness in providing of information, respondent investors have moderately satisfied. But it is important that respondents with a neutral opinion are more.

From the thorough analysis and interpretation, it can be noted that the majority of the respondent-investors have dissatisfied on risk and return aspects which are highly considerable elements for decision making. Overall,

respondent-investors satisfaction is moderate.

FINDINGS AND SUGGESTIONS:

The major findings and suggestions of the research study are given below:

FINDINGS:

1. It is found that middle-aged people (31 to 50 years) are very conscious in savings and investment.
2. It is also found that investment habit among men (81%) is more than that of women (19%).
3. Respondents from the employment zone are more interested in mid-cap funds investment.
4. It is viewed that internet, followed by advertisement and newspapers, is the main source of information for a large number of investors.
5. It is found that open-ended scheme is the most preferred and popular scheme than close-ended and interval scheme.
6. The study reveals that existing mutual funds are highly preferred funds by the majority of investors for investment.
7. The agent/distributor is a more familiar investment way as the large number of respondent-investors in mid-cap funds have adopted this route.
8. The study pointed out that SIP is a highly preferred mode of investment for a large number of investors in mid-cap funds.
9. It is pointed that majority of respondent-investors have been using the auto-debit system for making payment in mid-cap funds.
10. It is found that more than 50 percent of respondent-investors are willing to take a moderate risk in mid-cap equity mutual funds.
11. It is also pointed that majority of the investors are expecting return above 15 percent and none of the investors is expecting return less than 10 percent.
12. The study shows that satisfied respondent-investors are less on risk and return aspects.
13. It is also noted that respondent-investors have moderately been satisfied with mid-cap fund investment in overall.

SUGGESTIONS:

To AMCs:

1. As it is observed, young investors are comparatively less in total respondent-investors. So that it is necessary to motivate young people for investment in mutual funds.
2. AMCs are necessary to form schemes exclusively for women in order to attract them towards savings and investment in mutual funds.
3. The direct scheme is comparatively less preferred scheme even though the return on the direct scheme is higher than indirect scheme. It is lack of awareness and some other problems. So, in this connection, AMCs are required to communicate with their investors.
4. It is highly noted that respondent-investors have low satisfaction with risk and return aspects. Therefore, it is advised the fund managers to use portfolio revision strategies effectively to improve the performance of the scheme.
5. The fund managers are advised to update with new risk management tools so that they would be able to reduce risk to a greater extent and by that investors may be more satisfied.

To Investors:

1. The mutual funds are well regulated investment avenues like bank deposit etc. Hence, it is advised the investors to invest regularly in mid-cap funds to reap the returns.
2. Equity investment gives return at a high rate in long-run. So that investors are advised to invest funds for a long-term period as possible.
3. Investment in mutual funds is subject to market risk. Therefore, investors are advised to keep a vigilant eye on fund performance. This helps investors to take switching decision.

CONCLUSION:

Mutual fund is the best and suitable investment avenue for a large number of investors in India. There are multiple choices for investors. Equity scheme is a choice of the majority of investors in mutual funds. Mid-cap equity schemes are an innovative and special type of schemes in equity category funds. Under mid-cap schemes, funds are invested in medium capitalized companies to provide high return with moderate risk. Therefore, these schemes are more familiar and highly preferred schemes for investment.

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