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Research Article

Study of Factors Affecting Investors Perception towards Mutual Fund in Lucknow

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ARTICLE INFO	ABSTRACT

A mutual fund is a type of financial intermediary in the capital market that pools collective investments from retail and corporate investors in the form of units and manages a portfolio of different schemes that invest those collective investments on behalf of investors in equity and debt instruments.
In order to establish a mutual fund company in India, three crucial parties are required: the sponsor, the AMC, and the mutual fund trust. To carry out mutual fund activities successfully, they are assisted by banks, registrars, transfer agents, depository participants, and custodians. With the help this research paper we try to descriptive analysis about phenomena of Lucknow mutual fund investor it's also provide some background study about mutual fund industry in the eyes of household investor.

Keyword- Mutual fund, AMC, Investor, Risk Analysis ,SEBI

Introduction

Different kinds of mutual funds exist. Mutual funds can be divided into numerous categories, like equity mutual funds, debt mutual funds, and hybrid funds, depending on their underlying assets, such as equities, debt, or gold. The risk profiles and investment goals of these funds vary.
Therefore, not everyone should invest in the same mutual fund. The mutual fund or funds that are appropriate for you will depend on your investment goals, risk tolerance, and time horizon.
Assume, for illustration, that you are setting up an investing fund for your child's higher education in 15 years. In this situation, equity mutual funds may be your best choice because you plan to invest for the long term. Nevertheless, there are more sub-categories of equity mutual funds, including large size, mid cap, and small cap funds. Depending on your tolerance for risk, you can choose to invest in a large cap fund or a small cap fund in this case. A large size fund invests mostly in big businesses that are market leaders with solid financial situations, whereas a small cap fund invests primarily in smaller businesses that are less risky. Small cap companies struggle more than large corporations do to survive business cycle downturns.
You could also have many objectives. It might not be the ideal idea to invest in stock funds if your second goal is to purchase a sedan within the next three years. You may be able to fulfil your objective of purchasing a sedan if you invest in debt mutual funds, which are often less volatile than equities funds.

Research Objective

1. To comprehend the Indian mutual fund market
2. To comprehend the risk associated with mutual funds
3. To investigate how investors perceive "A Lucknow-based primary data study."

Research methodology

we must rely on secondary data to gain insights for this research, it is exploratory research. Exploratory research considers secondary data analysis and a review of relevant literature. Because we're going to gather primary data for additional research, this is also a descriptive study.

Sampling Plan
Sampling Population- Lucknow
Sampling Technique- simple Random Sampling
Instrument- Structured Questionnaire
Sample Size- 60

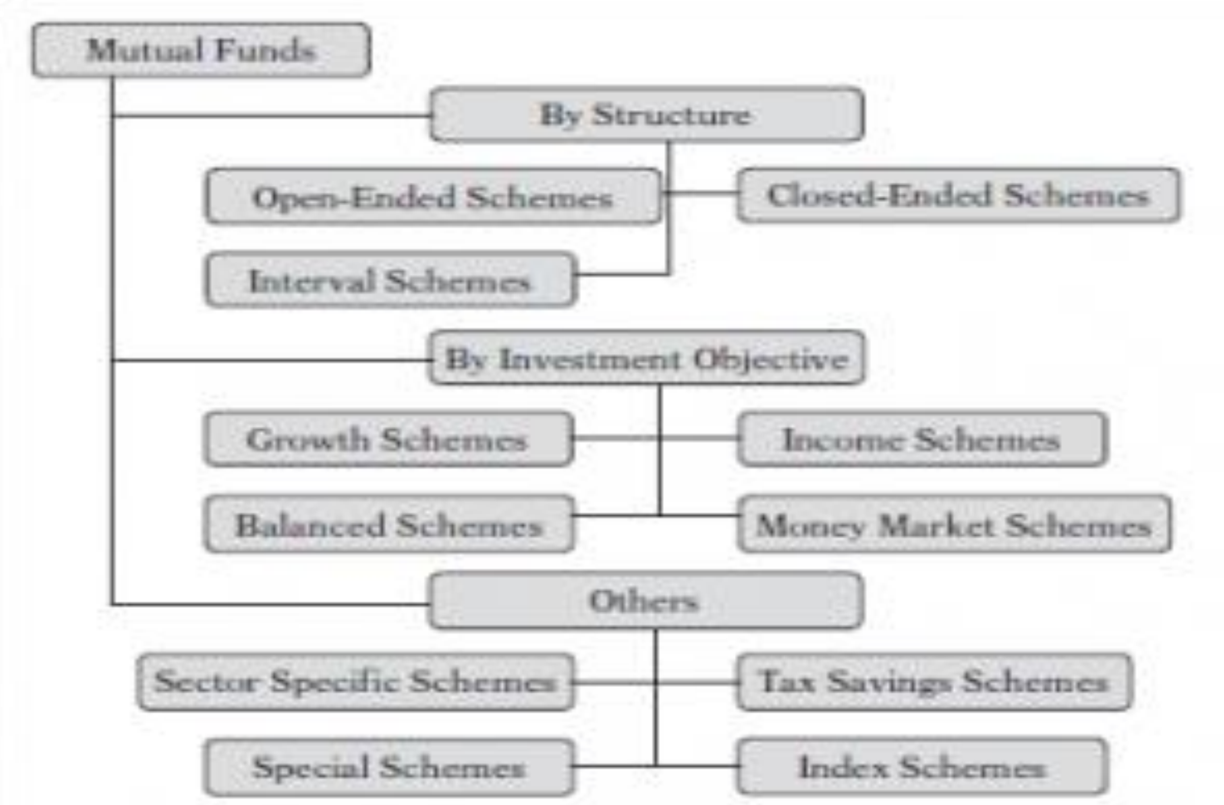
India's Mutual Fund Structure:
The Mutual Fund system was established by the Securities and Exchange Board of India (SEBI) Mutual Fund Regulations, 1996. According to SEBI regulations, mutual funds in India must adhere to a three-tier process:

Sponsor of the Fund:
The first tier of the mutual fund structure is made up of the fund's sponsor. The organisation responsible for creating mutual funds is known as the sponsor. It benefits from the mutual fund's establishment. The eligibility requirements that must be satisfied in order for an entity to become a fund sponsor are laid forth in the SEBI-specified eligibility criteria. These rules are in place to prevent fraud.

trust and trustees
The second tier of the mutual fund structure is comprised of trust and trustees. The sponsors of the fund establish the fund's trust. In charge of the trust and answerable to the investors are the trustees.
They are the mutual fund's main stewards. Their responsibility is to oversee the third-layer asset management firms and provide a six-monthly report to SEBI.

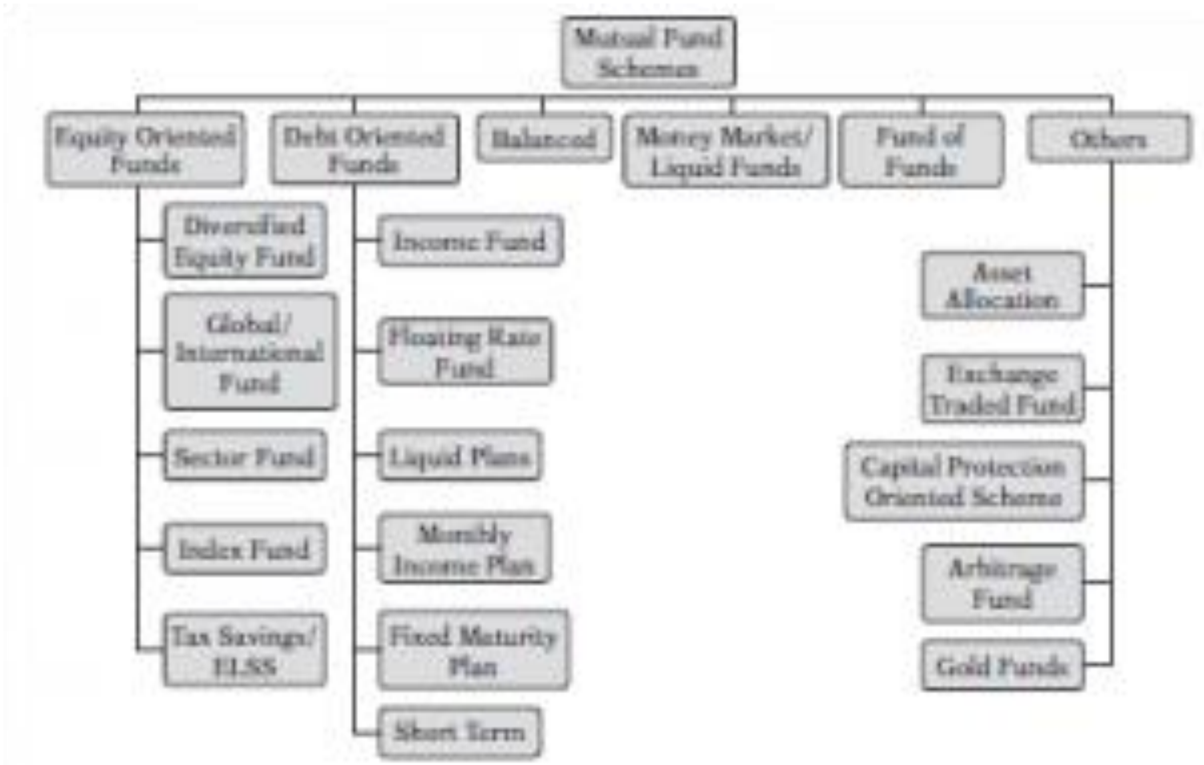
Asset Management Companies:
The third and last layer of a mutual fund is comprised of asset management companies (AMCs). They serve as the trust's investment managers or fund managers and are compensated with a small fee. All operations involving funds are managed by the AMC.
The AMC is required by law to manage the invested funds and provide investors with services. To gain these services, it collaborates with other elements including brokers, auditors, bankers, registrars, and attorneys.

Different Mutual Funds Scheme Types
Mutual funds are designed to offer investors maximum safety, liquidity, and higher returns with minimal risk. Different kinds of mutual fund schemes have developed over time based on these objectives.



Source- https://www.amfiindia.com/

According to their structure, investment goal, and other criteria, mutual fund schemes

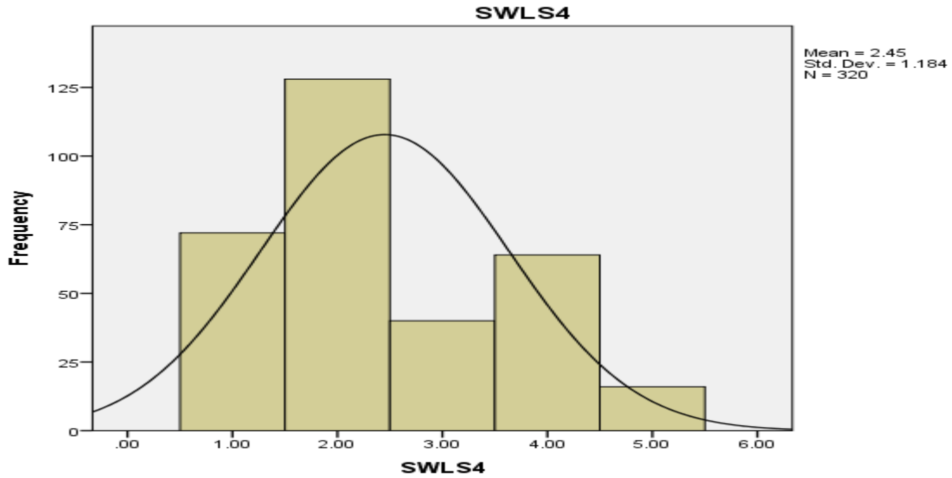


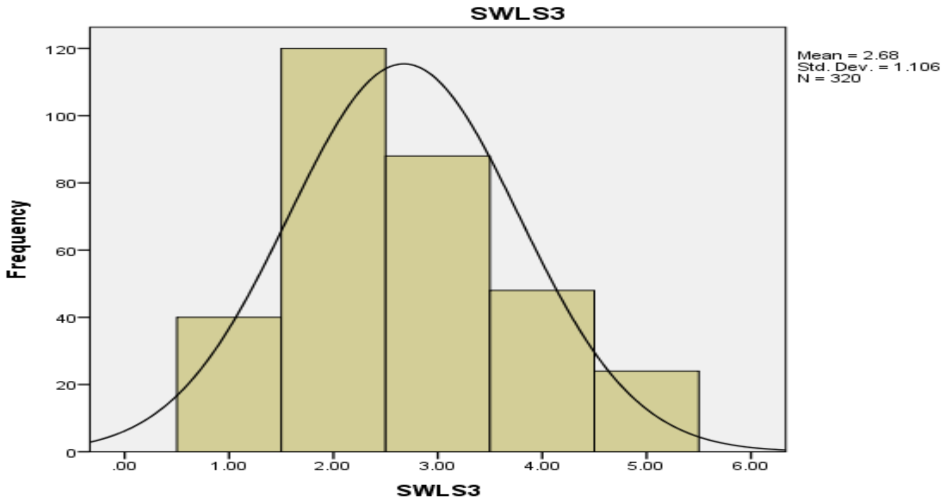
Source- https://www.amfiindia.com/

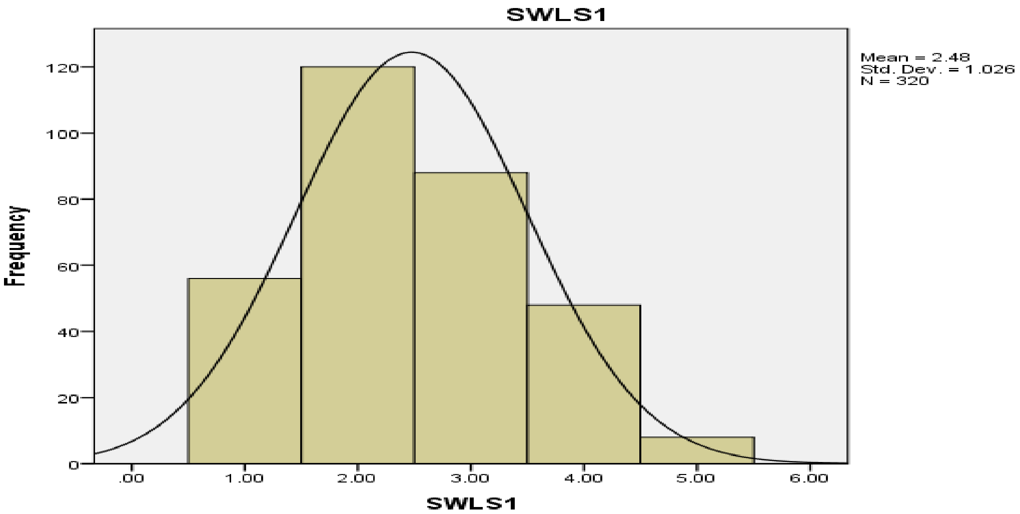
Primary Data analysis

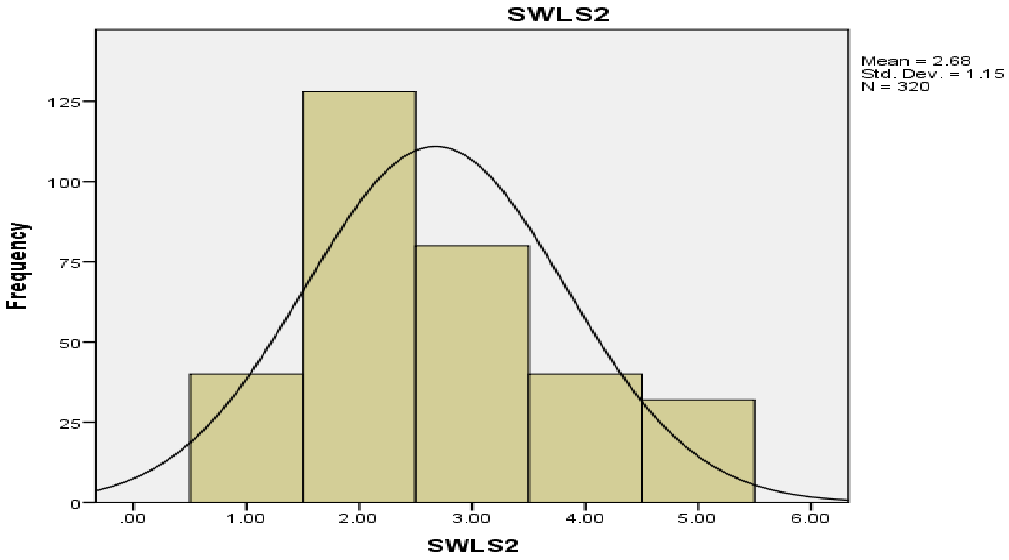
Statistics					
		Return on investment	Other company profile	Type of mutual Fund	Current market Situation
N	Valid	60	60	60	60
	Missing	0	0	0	0
Mean		2.4750	2.6750	2.6750	2.4500
Std. Deviation		2.02599	2.15044	2.10598	2.18401
Skewness		.348	.561	.446	.530
Std. Error of Skewness		.136	.136	.136	.136
Kurtosis		-.542	-.474	-.488	-.797
Std. Error of Kurtosis		.272	.272	.272	.272

Table 1 **Study of Factors Affecting Investors Perception towards Mutual Fund in Lucknow** offers a descriptive analysis of each variable, and with the use of this analysis, we are able to determine which variables are important. It displays the mean, standard deviation, kurtosis, and variances of each variable, with the greatest mean for market/industry demand being 2.6429, the standard deviation being 1.097, the variation between the variables being 1.204, the skewness being 0.469, and the value of the kurtosis being -0.419. ease of doing business has a mean of 2.6571, a standard deviation of 1.14163, a variance of 1.303, a skewness of 0.550, and a value of -0.438 for kurtosis. Favourable economic conditions have a mean of 2.4457, a standard deviation of 1.03308, a variance of 1.067, a skewness of 0.375, and a value of -0.525 for the kurtosis. Talent availability has a mean of 2.4400, a standard deviation of 1.17549, a variance of 1.382 between the variables, a skewness of 0.539, and a value of -0.763 for kurtosis.


SWLS4
Mean = 2.45
Std. Dev. = 1.184
N = 320
Frequency
125
100
75
50
25
0
.00
1.00
2.00
3.00
4.00
5.00
6.00
SWLS4


SWLS3
Mean = 2.68
Std. Dev. = 1.106
N = 320
Frequency
120
100
80
60
40
20
0
.00
1.00
2.00
3.00
4.00
5.00
6.00
SWLS3


SWLS1
Mean = 2.48
Std. Dev. = 1.026
N = 320
Frequency
120
100
80
60
40
20
0
.00
1.00
2.00
3.00
4.00
5.00
6.00
SWLS1



The negative side of the histograms in Chart 1's normal distribution values for all variables exhibit a long tail, which is a result that is negatively skewed. All of the data on the histogram chart deviates from the diagonal, which is called a deviation. It deviates less from the diagonal at sites that are near to it. The histogram demonstrates that the data points are practically diagonal and that the deviation is minimal.

Guidelines and Standards for Choosing the Best Mutual Funds

Every investor makes decisions about their investments differently. To choose a specific mutual fund to invest in, they could be influenced by a variety of options and objectives. Investors who choose to invest in mutual fund plans must carefully consider a few specific features and criteria in order to find the ideal scheme for their needs.

It's crucial to match up one's financial situation, choices, financial goals, and risk tolerance with the mutual fund plan they decide to invest in. Let's look at some of the factors and standards for selecting a mutual fund strategy that could assist in achieving the aforementioned goals of a mutual fund investment.

(a) Investment Goal You must decide your financial objectives (long or short term), the length of time you want to keep your investment, and your risk tolerance before selecting to invest in mutual funds. The results will depend on how willing an investor is to accept risk. The investments a shareholder makes in the various fund baskets must constantly be diversified.

Investments can be short-, mid-, or long-term, so choosing one requires careful consideration. The choice of mutual fund types at the macro level is influenced by an investing objective. Your selection to invest in or a combination of both programmes can significantly affect your choice.

b) Reliability of Performance Any fund's potential is defined by the consistency it has demonstrated over the course of the previous years, as well as how it has managed to outperform the benchmark and perform well by generating exceptional and consistent returns. Before drawing any conclusions about the consistency of the fund, the three- and five-year returns must be examined.

d) The Economy's Prospects The national and international markets are directly impacted by economic conditions, which also have an impact on the portfolio and ultimately the performance of the fund. The fund manager is essential in selecting the stocks and making judgements that will go into the investment portfolio. All of these are dependent on the nation's economic situation.

The economy is impacted by a number of factors, including governmental actions and market and industry performance. Because anticipation is key, it is best to diversify your investments while keeping both your short- and long-term goals in mind.

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(d) The AUM of a fund is merely the fund's size. Because a fund's size reveals its potential, investors are more likely to invest in it than other funds. As a result, the fund is exposed more, which raises overall risk. The flagship mutual fund schemes with significant amounts of assets under management are often run by the best and most seasoned fund managers.

e) Cost Ratio Since expenses are known to eat up a sizable portion of earnings, they should be taken into account while selecting a strategy. An expense ratio of 1.5% is a decent deal by industry standards. The expenditure ratio will be lower the higher the AUM.
(f). The exit load must be paid by the investors in the case of an early withdrawal first from plan before to the maturity period.

Risk Types in Mutual Funds

Mutual fund risk can be divided into two categories: systematic risk and unsystematic risk. The dangers of investing in mutual funds are listed below.

Risk of volatility

Equity-based funds typically make investments in the stock of corporations that are listed on stock exchanges. The value of these funds depends on how well businesses operate, which is frequently impacted by the predominate microeconomic issues.
These variables include shifting governmental directions, SEBI rules, the state of the economy, RBI policies, etc. Notably, these variables affect stock prices and can affect share values in one of two ways.

Liquidity Risk

Liquidity risk is frequently associated with mutual funds like ELSS that have a tight and lengthy lock-in period. Such a risk indicates that it is frequently difficult for investors to sell their investments without suffering a loss. For example, ELSS has a strict lock-in period during which investors are limited in what they may do with their investment. Furthermore, it might be difficult to sell equities at a time that investors perceive appropriate because there are sometimes not enough buyers in the market.

Interest Risk

Investors are plagued by interest risk, which appears as fluctuating interest value throughout the course of the investment horizon. The uncertainties surrounding the funds an investor is likely to access at the conclusion of the investment horizon are mostly to blame.
In other words, the cost of the debt instrument will fluctuate if the interest rate does. For instance, as the interest rate rises, the price of bonds falls, which lowers the value of bonds as well.

Credit Risk

In mutual fund investments, credit risk frequently arises from a circumstance in which the issuer of the plan fails to pay the promised interest. Typically, fund managers incorporate investment-grade securities with strong credit ratings in debt funds.
The fund manager does, however, include lesser credit-rated securities to increase the pace of returns. This action frequently raises the chance of not receiving the promised payment.

Inflation Risk

The risk of losing one's purchasing power, primarily as a result of growing inflation, is the best way to define it. Investors are typically exposed to the effects of this risk when the rate of returns on investments falls short of the pace of rising inflation. For instance, investors would receive just 2% returns if the rate of returns was 5% and the rate of inflation was 3%.

Concentration Risk

Among investors, this mutual fund risk is also common. It can be characterised as the circumstance in which investors frequently place all of their capital on a single investing strategy or industry. For instance, if caught in a bear market, investing solely in the stocks of one company carries a significant risk of capital loss.

Currency Risk

The risk in question is the worry that falling exchange rates may result in lower investment returns. To explain, it is thought that when the value of funds denominated in foreign currencies rises, the value of foreign currencies will fall. As soon as it is converted into INR, the rate of return will be directly lowered.

Rebalancing Risk

The investments in mutual funds are carefully watched and frequently rebalanced by the fund management. The risk of missing out on investment growth possibilities comes with frequent reinvestments, though.
Despite the numerous dangers involved with mutual funds, one can reduce these by making wise investment plans.

Guidelines for Reducing the Risks Associated with Mutual Funds

Built portfolio for risk appetite

Investing in a profile that matches an investor's capacity for risk-taking is one of the best strategies to mitigate the majority of risks related to mutual funds. Before choosing a certain mutual fund scheme, factors like one's age, financial situation, risk tolerance, and financial aspirations must be taken into consideration. A balanced portfolio with a lucrative mix of both debt and equity, for instance, will be suitable for investors with a low risk tolerance and long-term financial goals.

Systematic Invest Plan

Investors should be able to greatly spread the risk using this investment strategy. Also, investors can successfully cut their cost of investment with the aid of elements like averaging rupee costs and the power of compounding.

Invest through STP

This investment strategy also aids in reducing the average cost of investment and spreading out the risk related to mutual fund investments over time. Together, they work to lessen the effects of entering an overpriced market. The fact that it allows investors to switch between funds successfully aids in consolidating gains and reducing associated risks.

Diversify your portfolio

Invest in a variety of asset classes and industries, such as debt, cash equivalents, shares, etc., to properly balance the risk-reward ratio and related market risks of the portfolio. Investors can diversify their portfolio in accordance with their risk tolerance, time horizon, and financial objectives.

For instance, investors should participate in debt plans for capital protection and guaranteed returns when pursuing short-term objectives. Instead, due to their high risk-reward ratio, investors may find equities mutual funds to be more effective for long-term goals.

Indian Mutual Funds' Benefits

The following is a list of mutual funds' benefits in India:

- To oversee the mutual funds in India, the fund house appoints asset managers, also referred to as fund managers. These managers are adept at locating the best stocks that will yield the highest profits.
- Mutual fund assets are spread among a variety of industry stocks. As a result, the profit generated in one industry or asset class offsets the loss experienced in another.
- Liquidity is a benefit of mutual funds that is frequently disregarded. Mutual funds are regarded as being extremely liquid since they are simple to buy and sell in the short term during market hours. A few funds, such as ELSS, are an exception because they have a set lock-in period and are difficult to liquidate.
- In India, mutual funds are also inexpensive. Mutual funds charge 1%–2.50% in fund management fees. Despite being inexpensive, mutual funds give you better returns. Returns are computed based on the amount that was grown throughout the specified period of time.
- Tax advantages may be available if you invest in mutual funds through the Indian stock market. Under Section 80C of the Income Tax Act, investments made in ELSS are free up to Rs. 1.5 lakhs.
- Mutual funds allow you to start investing with as little as Rs. 500. You can choose between SIP and lump sum investments based on your budget.
- Mutual fund investments are fairly transparent. All mutual fund companies are governed by SEBI and are required to provide the required disclosures.
- Stock values, the fund's past performance, the fund manager's credentials, and track records are all well-known. Every day, the fund's NAV (net asset value) is updated.

Indian mutual funds drawbacks.

There are some drawbacks to mutual funds, some of which are covered below:

- Although fees were a benefit in the previous section, they are also a drawback for mutual funds. There are some mutual funds in India that come at a significant cost. You will be charged exit fees if you leave before the designated time. You are not permitted to withdraw the money before the allotted time.
- Although diversifying your investments helps you avoid losses, it can also work against you by preventing you from making big returns. Some industries provide enormous profits, therefore you could lose a lot of money if you don't invest substantially in them.
- Because you cannot withdraw your money before the designated time, the lock-in period might occasionally prove to be a serious drawback. As a result, you cannot withdraw your investment in times of need.
- Returns on mutual funds are not guaranteed because they are subject to market fluctuations. Therefore, before making an investment, investors has to be aware of the profile of the fund.

Industry Changes for Mutual Funds: SEBI Initiatives

To control the mutual fund business and safeguard investor interests, SEBI has mandated a number of initiatives and directions. Three categories can be used to group them. - Protecting investor interests: SEBI has put forth a number of directives to do just that. These are listed below:

Defending the interests of investors

To safeguard the interests of investors, SEBI has adopted a number of directives. These are listed below:

- Make modifications to the commission structure to avoid misspelling.
- Merging similar schemes and refusing to approve NFO issuances that violate this regulation.
- Including thorough and simple-to-understand "riskometer" info graphics in all mutual fund product brochures.

Extending reach while cutting costs

The following options are provided by SEBI to broaden reach while cutting costs:

- Launching the MF Utility Portal, this would allow traders to use a Common Account Number for transactions.
- In order to promote the selling of direct plans, areas other than T15 will have differentiated TER.
- Releasing statements of combined accounts.

Protecting the mutual fund industry's health

SEBI has established the following rules in order to protect the mutual fund sector in India:

- Requiring AMCs to increase their capital base from its existing value of Rs. 100 million to Rs. 500 million by the year 2017.
- Recommending the study of salary information for determining AMCs' fixed expenses.
- Regularly carrying out stress testing.

Future Prospectus of Mutual fund market

India's mutual fund industry is anticipated to grow both this year and in the years to come.

1.86 crore families with an annual income of more than Rs 10 lakh will have 1.86 crore registered mutual fund investors in India in 2022, according to estimates. In comparison to prior years, the number of mutual funds available is likewise rising exponentially.

There are now nearly 50 distinct schemes available, through each financial institution giving a wide variety of offerings under various categories such like equity funds, balanced funds, etc., making it difficult for investors to pick among them. A few years ago, all of the top financial institutions, such as HDFC MF and ICICI Prudential MF, offered just three major funds. Today, however, there are nearly 50 distinct schemes available. Nevertheless, despite the fact that mutual fund competition has grown significantly over time, their performance has been continuously strong throughout time, and investors have benefited much from them.

With an annual growth rate of approximately 40%, the industry has experienced significant growth in recent years. This rate is anticipated to remain at over 30% in 2022.

The increase in investor demand on financial products is the primary driver of this expansion. Due to this, more people are putting their money into mutual funds, which are better suited to meet demand.

Additionally, as more people grow interested in investing money in the stock market, there is a rising demand for equity-oriented mutual funds. In terms of the investment alternatives offered on exchanges or other channels by which investors can put money into stocks, this trend is anticipated to continue into 2022 as well.

Conclusion

Collective investment vehicles, particularly mutual funds, have drawn a lot of attention in recent years as the general public has become exponentially more involved in the stock markets. Recently, a lot of new mutual funds have been developed, and they offer successful possibilities for all kinds of traders.

Today's markets offer a wide range of mutual funds, and an investor can methodically purchase these funds and reap long-term benefits after conducting enough research. The warning that warns us that mutual funds are susceptible to market risks must be understood, nevertheless.

Over the years, India's mutual fund market has experienced enormous growth. The business began with about 200 funds barely five years ago, and today there are more than 1000.

Due to growing investor demand for money, the mutual fund business is expanding. People have grown increasingly at ease investing in mutual funds as investments in other industries, such as real estate, gold, or other commodities, have increased.

Many consumers have also come to understand that, in comparison to more conventional investment options including bank deposits and fixed deposits, investing in mutual funds gives them more flexibility.

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