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A STUDY OF INVESTORS PERCEPTION TOWARDS DEBT MUTUAL FUND IN INDIA

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Abstract

The study looks at how investors feel about debt mutual funds. Its main goal is to investigate the elements that influence people's decision to invest in debt mutual funds. The study also looks into the financial objectives that investors pursue when investing in Financial Instruments, as well as the most commonly used/preferred source of information for various investment options when deciding which Financial Instrument to invest in. A standardised questionnaire was used to acquire this information from select Mumbai residents. The biggest factor responsible for the investor's preference for Debt mutual funds is discovered to be "Benefits & Transparency." The study also found that the majority of the investors studied are moderate risk takers who are interested in Balanced Funds since they can generate larger returns with lower risk. People in India still think with the perspective of savings rather than taking risk and investing in high ended equity markets. Even investors who invest in mutual funds are unclear about how they function and how to manage them. So, proper information must be provided to the investors in order to increase the loyalty among the investors towards Debt Mutual Funds

Introduction of the study

Debt mutual fund schemes invest in fixed-income instruments such as bonds, debt securities, and money market instruments offered by corporations, banks, and governments. They appeal to risk-averse investors who aren't fond of high equity market volatility. Debt funds, like any other investment, include risks that individual investors often overlook and incorrectly believe are as safe as a bank's fixed deposit. Credit risk and interest risk are the two most major hazards connected with debt investing.

Debt funds are mutual funds that invest in fixed income instruments, such as bonds or various types of deposits, to produce returns. This entails lending money and earning interest on it. The basis for the returns that they generate for investors is the interest that they earn. Let's look at the underlying securities of debt funds, which are mostly bonds, to gain a better understanding of them. A bond is like a certificate of deposit that is issued by the borrower to the lender. Individual investors do something very similar when they set up a fixed deposit in a bank. When you make an FD with a bank, you are basically lending money to the bank.

This is exactly what debt funds do, except for a few differences. For one, they are able to invest in many types of bonds that are not available to individuals. For example, the Government of India, which is by far the largest borrower (and thus bond issuer) in the country, issues bonds which individuals cannot purchase. Bonds are also issued by many large and medium-sized businesses in the country, which mutual funds may invest in. Think of debt funds as a means to pass on the interest income that they receive from the bonds they invest in.

However, unlike the FDs that individuals invest in, mutual funds invest in bonds that are tradable in the debt market, just like shares are tradable in the stock market. In this debt market, the prices of different bonds can rise or fall, just like they do in the stock markets. If a mutual fund buys a bond and its price subsequently rises, then it can make additional money over and above what it would have made out of the interest income alone. This would result in higher returns for investors. Obviously, the reverse is also true.

But why would bond prices rise or fall? There can be a number of reasons. The most important one is a change in interest rates, or even the expectation of such a change. Let us suppose there's a bond that pays out interest at a rate of 9 per cent a year, and the interest rate in the economy falls so that newer bonds start getting issued with a lower rate of say, 8 per cent a year. Obviously, the old bond would now be worth more than earlier. After all, a given amount of money invested in it can earn more money. Its price will accordingly rise and investors will see the value of their investments go up. Mutual funds that hold this bond will find their holdings worth more, allowing them to make additional profits by selling it. Again, obviously the reverse is true as well. So, if interest rates rise, then mutual funds that are holding older bonds would see the value of their investments fall and they could lose money.

So while debt funds are typically treated as a low-risk investment (which in fact they are) and investors expect a certain level of safety, there is a chance that even a bond fund may see its value erode.

REVIEW OF LITERATURE

O.V.A.M.Sridevi (2018), this paper attempts to compare the performance of balanced mutual fund schemes -mid-cap and small-cap funds based on risk and return analysis, it is carried out using various financial tools like average return, Sharpe Ratio, Treynor Ratio, Jensen Ratio, standard deviation, beta and alpha. However, the study reported that the schemes have diversified and varied results.

Devi (2017) studies on the perception of investors towards mutual funds and to know the expectation of people for the return on mutual funds. Various data interpretation methods and presentation methods were used to understand the same. The results of the study showed that most of the investors like to invest in mutual funds, most of the people like to invest their money for one or three years to get returns on their investments and people invest in mutual funds to get higher returns and tax benefits.

Varun Sagar Singal (2018) says that mutual fund act as a medium for retail investors to invest their savings in the professional fund management system, irrespective of the sum invested. The article aims at finding the factors affecting investment decision on mutual fundsand the impact of behavioral factors on an investor. It also aims at finding the factors that prevent the people to invest in mutual funds. The results indicate that the fundamental factors and investor perception play a vital role in the investment decision making process.

R.Uppily (2018) studies on the awareness of debt mutual funds. The study was conducted to analyse the financial literacy level with respect to debt mutual funds.

The research says that there are various alternatives available in debt mutual funds and the investors has to study and select the appropriatefund based on his risk profile and time frame of the investment.

Vijaya Kittu Manda (2019) examines the recent trends and issues surrounding the debt mutual funds. The study is done to understand the individual investor's perception towards debt mutual funds. The study concludes that investors should consider debt funds schemes that are diversified that is having a good mix of all types of debt securities and those having high AUM so that impact of a default incident will have negligible impact on returns

Archana Goel (2015) in their research they have made a comparative study on performance analysis of debt and equity schemes at HDFC Mutual Funds with reference to Birla Sun and ICICI Prudential Debt and Equity Mutual Funds by taking their daily returns to know the category of fund where the investor would like to invest. For the study the researchers have used different tools for rating the schemes which include Sharpe Ratio, beta, average,NAV and standard deviation. The results of the study showed that the schemes are proficient and excellent.

Kamalpreet Kaur (2018) examines the performance of open-ended debt mutual funds in India. For the study a sample of few schemes have been selected to evaluate the performance on the basis of weekly returns and benchmark returns. For this purpose statistical tools like average, standard deviation, beta, co-efficient of determination, systematic and unsystematic risk and risk adjusted performance measures suggested by Treynor, Sharpe, Jensen and Fama measures were employed. The study revealed that none of the schemes performed better according to Sharpe and Jensen measures whereas few schemes outperformed the market according to Treynor's measure.

RESEARCH METHODOLOGY

In this chapter Research Methodology is described systematically by showing the objectives of the study, scope of the study, importance of the study, limitations, sources of data and methodology used for making the analysis. The scope of the study is to understand the perception of investor towards Debt Mutual Fund in India

RESEARCH OBJECTTIVES:

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- To Study the performance of selected debt mutual fund schemes in India.
- To Study the risk and return of Debt mutual funds.
- To Study the perceptions of investors toward debt funds

HYPOTHESIS

(A) Hypothesis – Objective 1

H0: There is no significant Change in the performance of selected debt mutual fund schemes in India

H1: There is a significant Change in the performance of selected debt mutual fund schemes in India

(B) Hypothesis – Objective 2

H0: There is no significant difference in the perceptions of investors toward debt funds

H1: There is a significant difference in the the perceptions of investors toward debt funds

Techniques of data collection

The data collected through primary sources. The primary data collected through a specially designed questionnaire.

Sampling Universe

People from different occupation in Mumbai.

Sample Size

31 respondents from different occupation in Mumbai.

Sampling Method

We have used sampling method based on our objectives.

Method of data collection

Primary Data which is collected through questionnaire

Limitations of the study

1. Our sample size was very small so the results can change with a bigger sample size.

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2. Majority of our respondents were students so we could not get a view of working professionals.

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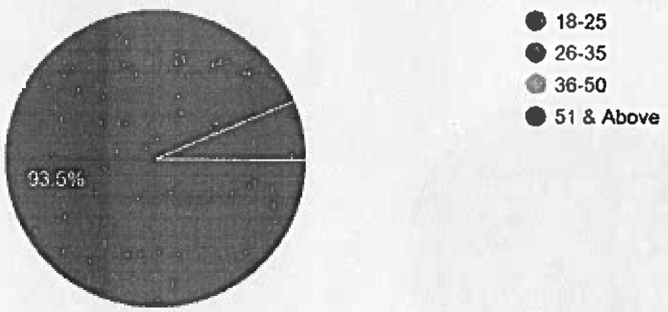
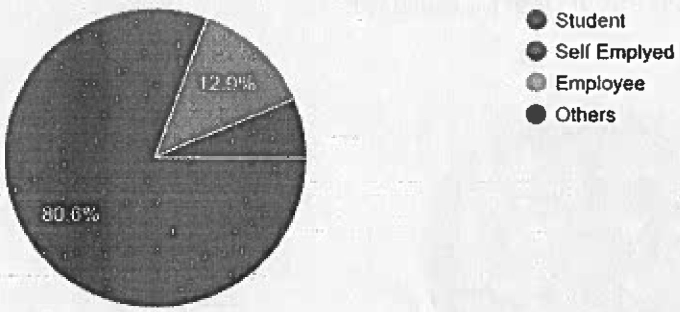
DATA INTERPRETATION AND ANALYSIS

Age Group
31 responses



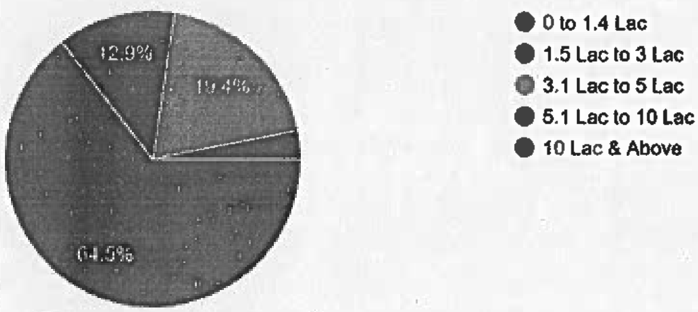
From the above graph, out of 31 respondents, 29 respondents are in the age group of 18-25, 2 respondents are in the age group of 26-35.

Occupation
31 responses

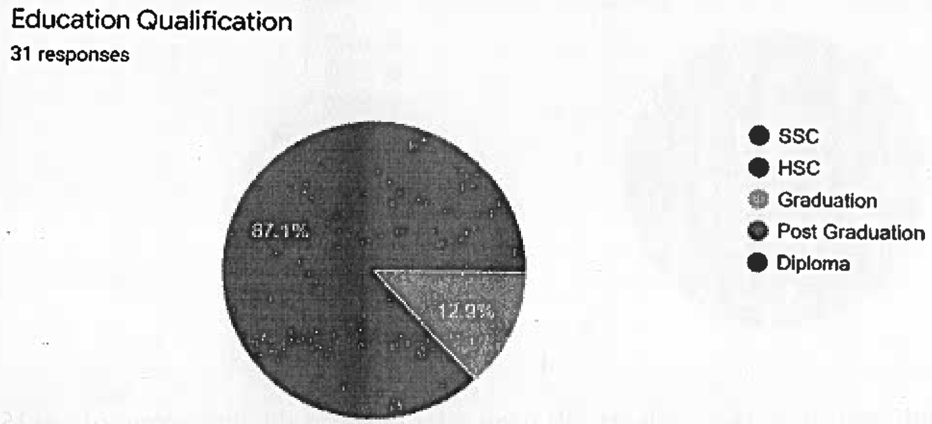


From the above graph it's been observed that 25 respondents are students, 4 respondents are Employee, 2 fall in category of others.

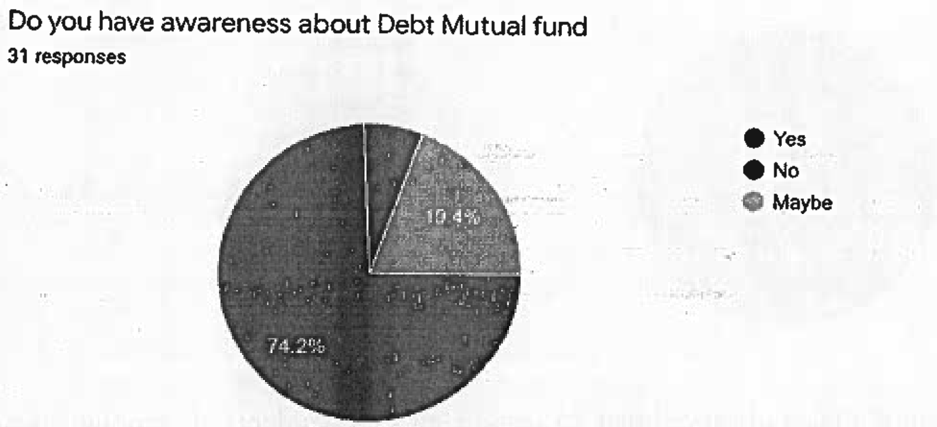
Income Range
31 responses



From the above graph, we can see that 20 respondents fall in range of 0 – 1.4 Lakhs, 4 respondents have an income range of 1.5 – 3 Lakhs, 6 respondents have an income between 3.1Lac to 5 Lakhs and 1 respondents fall under 5.1 to 10 Lakhs.



From the above graph, out of 31 respondents, 4 respondents are graduate and 27 respondents are Post Graduate.



From the above chart we can see that, 23 individuals have awareness about debt mutual fund while 2 individuals aren't aware about the same, while 6 respondents may or may not have the idea about debt mutual fund.

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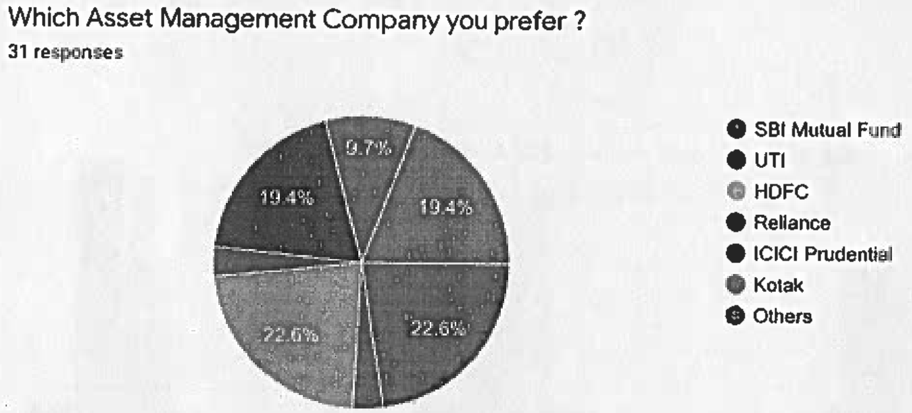
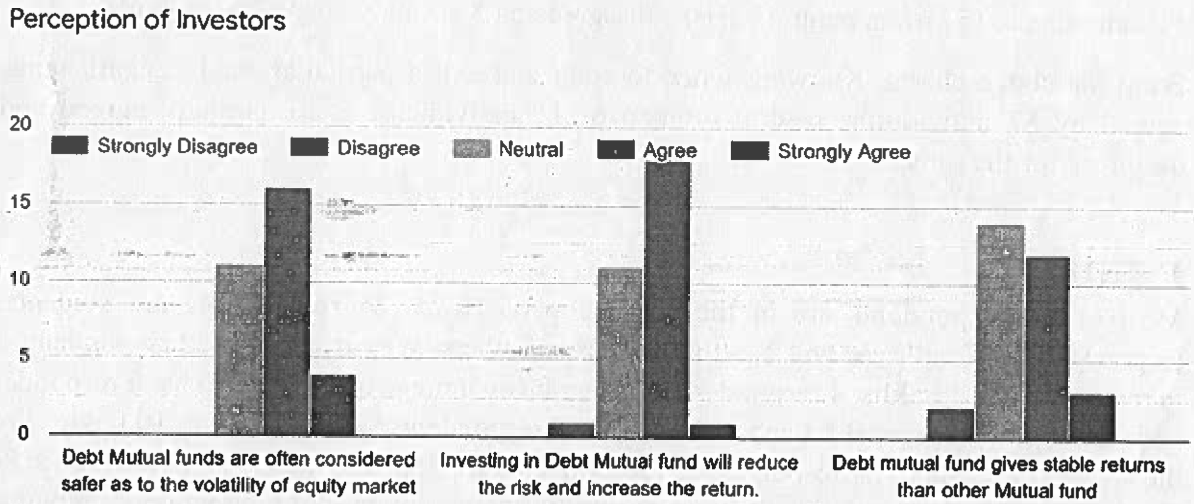


From the 31 respondents data collected its been seen that, The AMC which individuals prefer the most are HDFC and SBI accounting for a total number of 7 respondents, and 6 individuals prefer ICICI Prudential and Others, 1-1 each individual prefer UTI and Reliance AMC.



From the above bar graphs, it's been seen that 16 individuals agree that Debt Mutual Funds are often considered safer as to the volatility of equity market, while 16 individuals are on neutral opinion for the same and rest 4 strongly agree that debt mutual funds are safer.

In terms of Investing in Debt mutual fund will reduce the risk and increase the return a total of 18 individuals agree, 11 individuals are of neutral opinion and 1 each individuals disagree and strongly agree for the same.

Looking at the perception chart, its observed that 12 individuals agree that stable returns are been provided other than MF, while 14 individuals are on neutral opinion, remaining 3 and 2 individuals strongly agree and disagree for the same.

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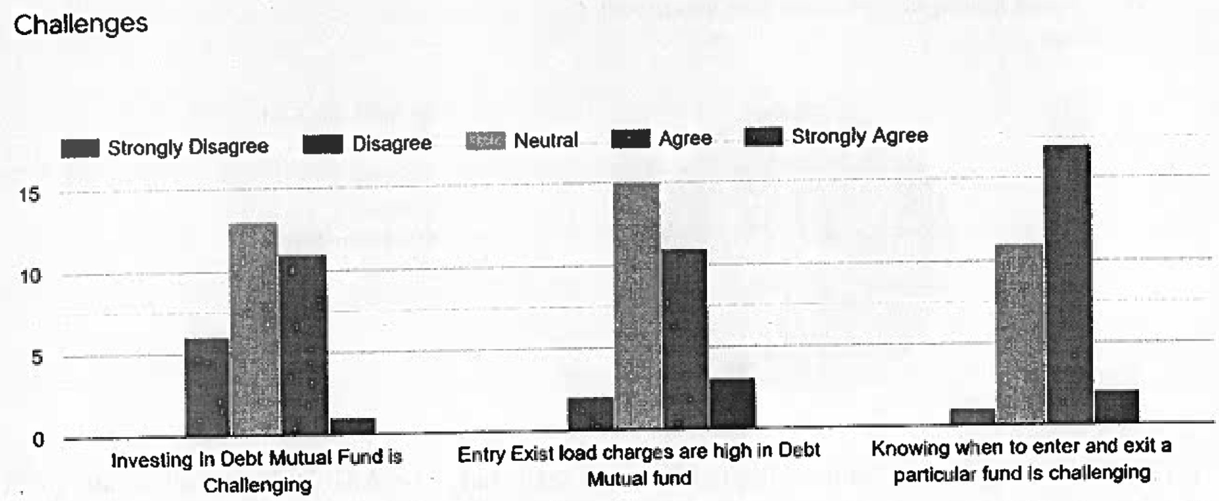

From the above charts it's been observed that 11 individuals agree that Investing In Debt Mutual Fund is Challenging, 13 individuals are on neutral terms in term of the same, 6 disagree for the same and 1 strongly agree for the same.

From the above charts, Entry Exist load charges are high in Debt Mutual fund are agreed by 11 individuals, 15 are on neutral basis, 2 disagree and 3 strongly agree for the same.

From the above charts, Knowing when to enter and exit a particular fund is challenging is agreed by 17 individuals, neutral opinion of 11 individuals, 2 are strongly agreed and 1 disagrees for the same.

FINDINGS

Most of the respondents are in the age group of 18-25. 25 respondents are students, 4 respondents are Employee and 2 fall in category of others. We can see that 20 respondents fall in range of 0 – 1.4 Lakhs, 4 respondents have an income range of 1.5 – 3 Lakhs, 6 respondents have an income between 3.1 Lac to 5 Lakhs and 1 respondents fall under 5.1 to 10 Lakhs. From the above graph, out of 31 respondents, 4 respondents are graduate and 27 respondents are Post Graduate. Most of the individuals have awareness about debt mutual fund while 2 individuals aren't aware about the same, while 6 respondents may or may not have the idea about debt mutual fund.

The AMC which individuals prefer the most are HDFC and SBI accounting for a total number of 7 respondents, and 6 individuals prefer ICICI Prudential and Others, 1-1 each individual prefer UTI and Reliance AMC. It can be seen that 16 individuals agree that Debt Mutual Funds are often considered safer as to the volatility of equity market, while 16 individuals are on neutral opinion for the same and rest 4 strongly agree that debt mutual funds are safer.

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Entry Exist load charges are high in Debt Mutual fund are agreed by 11 individuals, 15 are on neutral basis, 2 disagree and 3 strongly agree for the same.

Knowing when to enter and exit a particular fund is challenging is agreed by 17 individuals, neutral opinion of 11 individuals, 2 are strongly agreed and 1 disagrees for the same.

CONCLUSION

The study deals with perception of investors towards Debt mutual fund. The main objective was to study the factors responsible for the preference for Debt mutual funds as an investment option. The study also examined the investment objectives undertaken by investors while investing in Financial Instruments and finds out the highly used/preferred source of information for various investments options to invest in their most preferred Financial Instrument. From the study we can see that not everyone is aware about debt mutual funds and its advantages in having them in your portfolio. The need for a stable income is what motivates investors to resort to debt mutual funds as one is able to get constant returns from the fund. High net worth investors are willing to take more risk and hence, they prefer to invest in avenues which provide high return for high risk. People with lower incomes want to invest in safe avenue sand so for them debt mutual funds acts as suitable option. We can see that HDFC and SBI are the most trusted AMC's followed by ICICI. Investing in debt mutual funds is challenging but at the same time safe because it provides stable return at a low risk. Knowing when to enter and exit a particular fund is very challenging and timing such entry and exit points can be a tough task. Along with that there are also high entry and exit loads in debt mutual funds which might not be attractive for most investors. However, people who would like to invest in these funds will do so for the stable returns and so this wouldn't be a problem for them. So, we can see that these funds are a great and important asset to have in your portfolio in order to diversify the portfolio and create sustainable wealth. The future of debt mutual funds in India is still bright as more and more investors are starting

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Annexure

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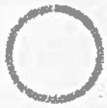
PLAGIARISM SCAN REPORT



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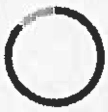

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Content Checked For Plagiarism

Abstract

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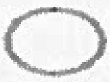
Dupli Checker

PLAGIARISM SCAN REPORT



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Content Checked For Plagiarism

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PLAGIARISM SCAN REPORT

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Date	2021-12-27
Words	702
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Content Checked For Plagiarism

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