FACTORS AFFECTING PERCEPTION OF INVESTORS TOWARDS MUTUAL FUNDS DURING COVID-19 IN PUNJAB REGION

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ABSTRACT:Covid-19 has dramatic impact on financial market across the globe and Indian market is also significantly affected by it. Retail investors have relocated the funds to deal with the uncertainty of financial market. Mutual fund is the most common and most preferred investment alternative among all of the other investment options. The mutual fund provides a comparatively safe opportunity for the investors to invest in the various securities and get the maximum returns by taking low risk. A mutual fund is the best option for investors who are not able to invest in the right securities due to the lack of savings amount, lack of awareness about the financial market, and other possible reasons. This study helps us in analyzing the investor's perception of investing in the various mutual funds and also helps in exploring the factor which affects the preference of investors for selecting the mutual funds in Covid-19. The data is collected by taking conducting a survey on 85 investors who invest in mutual funds.
Keywords: Mutual funds, investment, Covid-19, stock market.

1. *INTRODUCTION*

Covid-19 declared by WHO on 30 January 2020 as a global emergency (WHO, 2020) and later a pandemic on 11 March 2020. It led governments to impose lockdown to maintain social distancing globally. Lockdown were imposed strictly in the beginning and later on phase wise relaxation is given with social distancing norms. But lockdown brought the steep fall in the GDP of the nations across the globe. In India, there is a drastic fall in the GDP as shown in the figure.1., The global and domestic disruption in supply chain management is reason of disruption in growth output of India (Agrawal et al., 2020; Dev & Sengupta, 2020). Baker et al. (2020), examined the economic impact of COVID-19 and found that more than half of the contraction in output was caused by economic uncertainty. According to ADB Report (2020), the estimated economic loss ranges between 7% and 10% of India's GDP, under shorter and longer lockdown respectively. The fall in GDP infuse fear among all investors.
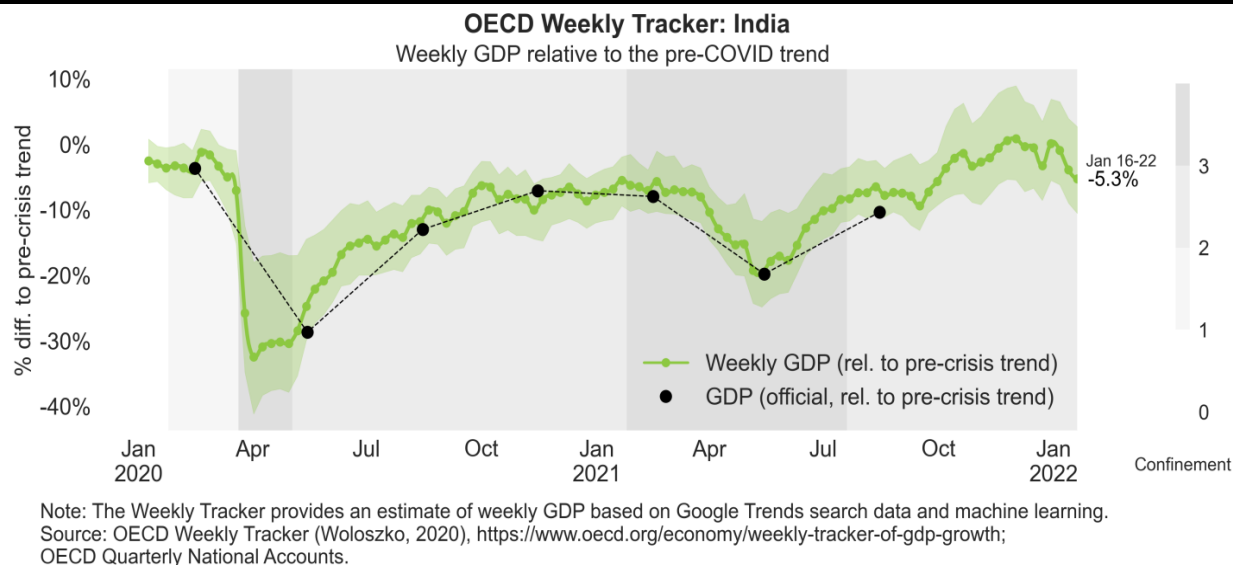
OCED Weekly Tracker: India
Weekly GDP relative to the pre-COVID trend

Note: The Weekly Tracker provides an estimate of weekly GDP based on Google Trends search data and machine learning.
Source: OECD Weekly Tracker (Woloszko, 2020), https://www.oecd.org/economy/weekly-tracker-of-gdp-growth;
OECD Quarterly National Accounts.

Figure-1

Source-OCED weekly tracker

Covid-19 has dramatic impact on financial market across the globe and Indian market is also significantly affected by it. The investors basic objective maintain a regular cash inflow along with safety of the amount invested (Geetha & Vimala, 2014). Retailers in the financial market prefer to make informed decision at the times of crisis and uncertainty but it got influenced by emotional factors (Aren & Hamamci, 2020). Stock market demonstrated inconsistent behaviors regarding standard finance assumptions throughout the financial crisis (Nigam et al., 2018). It has also been discovered that psychographic variables have a greater influence on risky investment decision-making (Sahi et al., 2012). Liu et al. (2020) have established that investor sentiments such as bad mood and anxiety cause the investor to be risk averse, which affects the return on assets. During the COVID-19 epidemic, the study suggest that investors' sentiments influenced the stock market in 21 nations, including India. Mutual fund is the most common and most preferred investment alternative among all of the other investment options. The mutual fund provides a comparatively safe opportunity for the investors to invest in the various securities and get the maximum returns by taking low risk. A mutual fund is the best option for investors who are not able to invest in the right securities due to the lack of savings amount, lack of awareness about the financial market, A professionally managed investment scheme that created a shared pool of money of investors and diversified their funds in various financial market instruments like stocks, bonds, money market instruments is known as Mutual fund.

According to different bases, mutual funds are categorized into various schemes or money market schemes. The structure of the fund makes them open-ended schemes or close-ended schemes. While taking into account nature, it can be an equity fund or debt fund. Mutual fund schemes are further categorized as schemes related to tax saving as well as sector-specific projects, and index securities. Tax savings, liquidity, affordability, diversified portfolio, and professional money management are some of the benefits that are understood to be associated with mutual fund investments. Mutual funds, as an essential investment vehicle for investors, are perceived to be a financial instrument of high potential gain. The mutual fund is the most significant emerging sectors in India. Mutual funds as a substantial financial intermediary have been playing an essential role in developing the country. This study is an attempt to determine the significance of factors like potential return, professional expertise of the managers, capital appreciation, liquidity, marketability, tax saving purpose, and safety while making Mutual fund investment.

1. LITERATURE REVIEW

2.1 Agrawal, S., Jamwal, A., & Gupta, S. (2020) identified 18 critical barriers which affected the supply chains in the India and adversely affected the GDP during Covid-19.

2.2 Dev, S. M., & Sengupta, R. (2020) described the pre-Covid-19 state of the Indian economy and assessed the impact of the shock on various sectors. They analyzed the policies announced by the central government and the Reserve Bank of India to mitigate the economic shock and made policy recommendations for specific sectors.

2.3 Geetha, S. N., & Vimala, K. (2014) examined effect of demographic factors on investment decisions and also determine the influence of information technology over financial market operations.

2.4 G. Agarwal & Dr. Jain (2013) conducted a study on the comparative preference of investors toward various investment avenues with Mutual funds. For this objective, data collected from three hundred investors inside the Matura town. It concluded that the preference of investors toward investment options is driven by return, tax planning, growth, etc. and the most preferred one is real estate.

2.5 Dr. R. Abdul Muthalif and K.Munivel (2019) studied the issue influence of awareness of open-end investment company's on investments and to determine the preference of mutual fund theme customers. The study reveals the perception of consumers dependent on goals and satisfaction is driven by the performance of the medium frequency product.

2.6 V. Ramanujam & A. Bhuvaneswari (2015) analyzed growth as well as mutual funds' performance in India throughout the last decade. The purpose of the study was to find sales of sector-specific mutual funds and redemption. The study revealed that investors hesitate for brand new investment avenues like mutual funds. Individuals like less risky Investments.

2.7 Sondhi & Jain (2010) studied market risk and return trade-off of mutual funds linked with equity. This study is based in India and considered six equity funds for three years. The study examined the proportional relationship between Beta and return of the funds. It was observed that categories, size of funds, and possession pattern considerably performance of equity fund following the adjustments.

2.8 J. Nalini (2015) analyzed the influencing factors which lead to the adoption of investment schemes. It revealed the impact of mutual funds investment over bank deposits isn't essential. It showed that Mutual funds are considered a better investment choice in comparison to bank deposits because of their high yields.

2.9 LakshmanaRao K. (2011) is dealt with in his study with an open-ended investment scheme of Mutual fund. It revealed that investor's awareness level is a crucial issue which influences investment choices. Risk tolerance influenced by the instructional level and formal education level of associate investors. It was found that there is a relationship between the legal and technical education while studying the data collected from 350 respondents of 3 districts within Andhra Pradesh.

2. OBJECTIVES

3.1 To examine the significance of various factors altering the preference of investors towards Mutual funds.

3.2 To explore the reasons behind the selection of a particular Mutual fund scheme.

3. NEED FOR THE STUDY

This study try to explore factors affecting investment decisions while a selection of Mutual funds during Covid-19 pandemic. It would help in understanding the operations of the mutual fund industry as well as different schemes of mutual funds. The prominent funds in India were only included in the study and their plans. The review was to reveal the perception of the investor towards the investment decision and reasons for driving their saving in a mutual fund.

4. RESEARCH METHODOLOGY

4.1 Research design: - Information is collected in the study through Descriptive research

4.2 Research approach: - The survey approach is used for this study.

4.3 Research instrument: - The questionnaire is used as an instrument for the study. The questionnaire contains both the near end and open-end questions.

4.4 Data Source: - Primary data collection was done through the structured questionnaire. The data is taken through the sampling method from a private university employees.

Sample size: - 85 is the sample size of respondents.

5. *DATA ANALYSIS AND INTERPRETATION*

Data analysis over-collected data is done through Descriptive Statistics. Further, Cronbach's Alpha Test of Reliability and Factor Analysis is applied over the data.

Table: 1 Cronbach's Test of Reliability

Reliability Statistics

Cronbach's Alpha	No.of Items
.895	19

5.1 INTERPRETATION

Cronbach's Alpha Test of Reliability analyzes the correlation or association level between responses collected. Table 1, represents the result of Cronbach's Alpha is .895, so it meets the criteria of reliability, according to Garson (2002).

Table 2: KMO and Bartlett's Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.810
Bartlett's Test of Sphericity	Approx. Chi-Square	920.556
	Df	171
	Sig.	.000

Factor Analysis Bartlett's Test of Sphericity and KMO Measure of Sampling Adequacy proves the suitability of data for analysis. Table 2 shows the result of Bartlett's Test of Sphericity, which is 0.000, and as per criteria, value is lower than 0.05; data is suitable for the Factor Analysis. KMO Measure of Sampling Adequacy is 0.810, which exceeds the minimum amount of 0.5, and this information is appropriate for factor analysis (Malhotra, 2008).

Table 3: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	Variance%	Cumulative %	Total	Variance %	Cumulative %	Total
1	7.016	36.926	36.926	7.016	36.926	36.926	4.112
2	2.828	14.885	51.811	2.828	14.885	51.811	3.41
3	1.402	7.377	59.189	1.402	7.377	59.189	2.586
4	1.063	5.597	64.786	1.063	5.597	64.786	2.202
5	0.892	4.696	69.482				
6	0.843	4.435	73.917				
7	0.701	3.687	77.604				
8	0.659	3.467	81.071				
9	0.649	3.415	84.486				
10	0.548	2.885	87.371				
11	0.448	2.356	89.727				
12	0.408	2.149	91.877				
13	0.337	1.774	93.651				
14	0.295	1.554	95.205				
15	0.276	1.455	96.66				
16	0.227	1.193	97.853				
17	0.169	0.89	98.743				
18	0.137	0.721	99.464				
19	0.102	0.536	100				

5.2 INTERPRETATION OF RESULT

In the above analysis table, eight factors have been extracted. Eigenvalues are more significant than one should be selected. Most variance is explained by Factor1 (36.9%), followed by the variance in the second factor (14.9%), followed by the third factor (7.4%), followed by the fourth factor (5.6%), followed by the fifth factor (4.7%), followed by 4.4% by the sixth factor, 3.7% variance by seventh factor and 3.5% least variance by the eighth factor. Altogether, eight factors contribute for 81.1% of the total variance.

5.3 CLASSIFICATION OF FACTORS

- **Factor 1; Fund features and customer relationship:** All these items addressed the risk and tax benefits to the investors, grievance handling and annual report availability to the investors.

- **Factor 2; Diversification:** In this factor portfolio of securities and qualities of the fund manager is the primary concern of the investor.

- **Factor 3; Customer awareness:** In this factor, awareness is considered like investors received good quality advice from the distributor, there is a need to simplify the information provided to unit holders, Investment should be for a longer tenure in Mutual funds to generate a better return and attending investors educational programmed is beneficial.

- **Factor 4; Performance :** In this factor include liquidity, return earned and performance of the funds.

Table 4: Factor loading

Factor	Statements	Factor Loading
Factor-1 Fund features and customer relationship	Timelines in getting annual reports	.779
	Grievance handling	.808
	Choices of schemes	.683
	Tax benefits	.647
	Risks elimination	.507
	Payment options	.538
	Management fees charged by AMC is reasonable	.657
Factor-2 Diversification	Performance of your Investments (NAV)	.871
	Risk factors	.840
	Portfolio of securities	.914
	Portfolio of a fund manager	.848
Factor-3 Customer awareness	Investors received good quality advice from the distributor	.498
	There is a need to simplify the information provided to unitholders	.545
	Long-period Investment in Mutual fund is desirable	.795
	Attending investors educational program is beneficial	.784
Factor-4 Performance	Return earned	.563
	Performance of the funds	.573
	Liquidity	.440
	Experts guidance	.773

As can be seen in the above table, 19 statements got converged into 4 factors.

6. FINDING

6.1 The contribution of Factor 1 in the total variance explained is 32.93%. The variables which are contributing the most are Grievance handling, timelines in getting reports, and choice of schemes with a factor loading of .808,.779,.683 respectively.

6.2 Factor 2 provides 14.885 total variances, and the factors in this component that give the Portfolio securities are .914, and the performance of NAV is .871.

6.3 Factor 3 contributes to 7% of the total variance. The variables like Investment in mutual funds for an extended period gives .795, and another factor attending educational programs of mutual funds beneficial gives .784.

6.4 Factor 4 contributes to 5% of the total variance. The variables in component 4 are expert guidance, and perform of funds both contribute .773 and .573.

6.5 The age group of 23 to 25 preferred investing in mutual funds having the income level falls 10000 to 50000.

6.6 47 % of our respondents invested in 2 or more schemes of mutual funds.

6.7 76.4% prefer Investment in Mutual funds because of returns and savings.

7. CONCLUSION

The investors basic objective maintain a regular cash inflow along with safety of the principal amount. Retailers in the financial market prefer to make informed decision at the times of crisis and uncertainty but it got influenced by emotional factors. In Covid-19 the performance and return of the funds has least significant to the mutual fund customers and more preference is given by the investors to information customer dealing and relationship and diversification of funds. The customer relationship and customer awareness leads to better trust in investors and diversification leads to risk reduction in the financial market.

8. LIMITATIONS

The limitation of this study is the time constraint, as most of the investors are working professionals. The respondent for the survey is the investors who have invested in mutual funds only. Lack of understanding of the financial market and of mutual funds force investors to invest only in the recommendation by their financial advisors. The sample size is limited to 85 individuals. Judgment sampling technique is used so it is unable to predict the change in investment patterns and preference caused by the fluctuation in the stock market conditions.

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