Factors motivated to Invest in Mutual Funds Schemes in twin cities of Telangana state - A Study of Small Investors

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Abstract:

Investment is an art and science. Indian Investors have multiple investment options to invest their money to gain in short term as well as long term. Investors perception is differ according to their age, gender, income level, occupation, experience in markets and risk appetite behavior. In this context, the researcher identify the gap that most of risky investors prefer equity shares and less risky investor's priority is fixed deposits, postal saving schemes etc., A mutual fund is a financial instrument that collects small investors' savings for use in buying securities on the stock and money markets. In order to lower investment risks, the mutual fund makes investments in a variety of securities. The portfolio is managed by mutual funds, and dividend payments are made to investors in mutual funds from the investment returns. Units of mutual fund schemes can be purchased with even a small investment. The present paper main objective is to examine the factors motivated to invest in Mutual Fund schemes with reference to small investors from Hyderabad and Secunderabad cities of Telangana State. For this purpose, the researcher adopted multi stage convenient sampling method by select of top ten stock broking companies. A structured questionnaire is developed and distributed to 1000 small investors and 800 questionnaires are returned. 724 are considered as final sample size, out of 800. The collected data is analyzed with factor analysis and Pearson Chi – square test and results shows that 3 factors are extracted from 17 statements that are motivated to invest in mutual fund schemes. They are Diversification and Growth, Innovativeness & Investment Criteria and Company Image & Risk – Return analysis. Considering cross tabulation and Pearson Chi square test that there is no significant association between the experience and investment to select various mutual fund schemes,

Keywords: *Investment Criterion, Investors Perception, Mutual funds and Small Investors.*

Introduction:

A mutual fund pools the money from many individual savers, invests it in the stock market, and then distributes the earnings to its members **(Kumar, 2011).** Because of the professional management provided by the fund's managers, shareholders need not keep a close eye on the market **(Sindhu & Kumar, 2014).** However, there is some danger involved. It is possible that a mutual fund's return could be negatively affected by market conditions. Investment risk aversion was found to be one of numerous factors influencing mutual fund investments **(Weber & Milliman, 1997).** A growing area of study is the effect that investors' perceptions of risk have on their decisions to invest **(Singh & Bhowal, 2010a).** Thus, a mutual fund is the best investment for the average person since it allows for low-cost participation in a pool of securities that has been diversified and managed by experts.

Definitions:

According to the SEBI (Mutual Funds) regulations of 1996, a mutual fund is defined as a fund created in the form of a trust by a sponsor to raise funds through the sale of units to the general public under one or more schemes for investing in securities in accordance with the regulations. A mutual fund is described as "a trust that pools the savings of several investors who share a common financial goal" by the Association of Mutual Funds in India (AMFI).

Features of Mutual Fund: The MFs have become an attractive avenue for investment because of the following features.

- **Safety -** Mutual Funds are regulated by SEBI which has evolved specific guidelines and regulations for their operations and management. The monitoring of Mutual Funds by SEBI is comprehensive and regular. The Mutual Funds have to maintain transparency in their working. The investments (portfolio) of the MFs are disclosed regularly on a monthly/quarterly basis and the NAV‟s are declared on daily basis.
- **Liquidity –** Investors many times find it difficult to deal in shares, bonds, Govt. Securities and debentures of certain companies even at adverse prices. The bulk of trading in such instruments is done by institutions and MFs. Investors can now get the opportunity of investing in the instruments of their choice through the schemes of MFs with assurance that they get immediate liquidity at the net asset value (NAV) related price of the units on the date of redemption request as MFs dispatch redemption proceeds to investors within 2/3 working days of request.
- **Returns -** As dividend received by investors is tax free it enhances the yield marginally as compared to income from other investment options. Investment for more than a year helps investors to take advantage of the benefits of indexation and lower capital gains tax. These options can be used as an effective tax planning tool to provide better post tax returns to the Investors.
- **Professional and Expert Management - Mutual** Funds are set up by established promoters with proven track record and managed by professionals having vast experience and expertise in the field. These fund managers are backed by strong research teams which keep a close eye over the market movements and opportunities.
- **Diversified and Large Portfolio -** The Mutual Funds create a portfolio which is a combination of varied instruments, keeping in view the liquidity and return, which cater the

need of each class of investor (those who have invested for short term and also for long term). The risk bearing capacity of MFs is enhanced because of the large and diversified portfolio which dilutes risk.

- **Dividend Stripping -** As dividend distributed by a MFs is exempt from tax in the hands of the recipient, if an investor is having capital gain and wants to save capital gain tax he can enter the scheme at the time of declaration of dividend and move out after receipt of dividend. When he moves out, he incurs short term capital loss as the NAV will come down an account of dividend distribution with this the investor can convert his capital into tax free income and any incur notional loss. This is being used as an effective tool for tax planning where by tax free income can be generated and also short term capital losses are adjusted against capital gains.
- **Cash Management -** Many corporate and MNCs have surplus funds for a very short span; say 3-15 days for which they find no gainful investment avenues. MFs operate cash schemes where these surplus funds can be parked. The returns relate to the call money market rates and the money can be redeemed within a short span of 24 hours.
- **Transparency -** As per SEBI guidelines MFs have to disclose their NAV on daily basis and portfolios and past return of their schemes on regular interval, it is very much in the interest of investor as the investor can take an informed decision while investing and switching to the scheme.
- **Low Cost -** AMC, charge a very nominal cost as its management fee which varies in the range of 0.75percent to 2.0 percent of the annual assets managed by it depending on the nature of scheme.

  Review of Literature: Gupta, K. (2019), analysed 382 schemes of mutual fund through online mode. The researcher focused on identifying the stock-selection skill of the Indian mutual fund managers on the basis of Jensen Fama & French and Carhart models. **Tandon, S., & Chopra, T. (2019),** observed attitude of 100 investors from Jalandhar towards mutual fund and found that investors preference is not connected with income, Age and Gender but it is connected with occupation and education, the objective behind investment in mutual fund is high return with low risk and liquidity and they invest with advice of agents, majority of the investors have very basic knowledge and very few investors have deep knowledge who take decision by themselves. It was also observed that investors are gathering knowledge from internet and other media but at the time of investment they prefer investment through agents. It was also found that among SBI, ICICI, Kotak, UTI an HDFC funds, SBI is the most preferred fund and kotak is the last preferred fund in the selected respondents of Jalandhar. **Rupinder Kaur Gill, R.B., & Tjprc (2018),** observed that behavioural finance plays a very important role in investment pattern, behavioural biases includes emotions, mind-set, fear, aggression, fast decision, slow decision, favour of certain companies, personal likes and dislikes, etc. Investors are taking investment decision with this biases and affect whole financial market, Indian investors have lack of trust and awareness regarding this modern method of investment and majority of them are investing in traditional method like gold, silver, real estate, banking, fixed deposit, post office schemes, etc. **Krishnan et al (2002)** examined the variables that affect investors' decisions to hold or sell stock funds in the near term after considering analyst recommendations. According to their research, a strong form

of the analyst's summary recommendation report (one that, for example, includes extra data that further supports the analyst's position) reduces both the disposition error for gains and the disposition error for losses. **O'Neal (2004)** contends that investment brokers and advisors are crucial to the trading activities of equity funds. **Gandhi, R., & Joshi, M. (2018)**, interviewed 200 mutual fund investors of surat city to know their performance towards mutual fund investment and found majority of the investors are investing to get good return with less risk and safety of investment, it was also found that change in manager of AMC, Inflation, change in AMC size and portfolio are the most important factors related to risk, majority of the investors wants to take moderate risk and satisfied with normal or moderate return. It was also found that demographic factors like gender, education, income, age, marital status, etc. are affection perception of investors. It was also found that equity mutual funds are most popular schemes among schemes. **Saini, Anjum, and Saini (2011)** examined Investors' opinion and perception towards investing in mutual funds. these opinion pertaining to diverse issues like type of mutual fund scheme, objective of investing, role of financial advisors and brokers, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry, etc. **Sharma and Agrawal (2015)** examined the preferential factors for investing in mutual funds by the investors. The survey was undertaken in the city of Udaipur city and the major findings revealed that the major buying behavior influencing factors are capital appreciation, brand image, quick service and transparency.

Research Gap: Mutual funds schemes are offered by various players in India and it's most difficult for the investors to select the mutual funds schemes. For this purpose, the investor's objectives, AMC image, past performance of the fund, analyst and broker's suggestions, fund management and portfolio allocation, expense ratio are the few factors helps to select of mutual funds for investment. In this scenario, the majority of the researchers study and analyses the psychological factors influence, risk and return basis, investor's preference and perception basis. Few researchers' focuses on the factors motivated and investment criterion to invest in Mutual Funds Schemes related to different states and various cities, rural and urban investors. Under this context, the present study is taken to measure the factors motivated to invest in mutual fund schemes and role of investor's experience in selection of mutual fund schemes. This study is confining to Twin cities of Telangana state i.e., Hyderabad and Secunderabad cities.

Statement of the Problem: The goal of this research project is to examine and pinpoint the key elements of investor behaviour that influence mutual fund selection. There are many opportunities to research and examine recent changes in investor's selection of mutual funds related demographics, investment objectives, initial investment size, etc.. As earlier studies produced mixed results about factors motivated to invest in mutual funds. It is clear from the earlier study that revels about investors are increasing their knowledge and considering the rational factors for their investment decisions.

Research Questions: after identifying the research problem, the researcher framed the following questions to address the objectives.

RQ1: What are the factors motivated to invest in Mutual Funds

RQ2: How experience is affecting on investment preference towards various mutual fund schemes?

Research Objectives: The following are the main objectives under the study.

1. To measure the factors motivated to invest in mutual funds by small investors
2. To analyze the small investor's experience to select the mutual fund schemes

Hypothesis: The below hypothesis are made under the study to accept or reject the null hypotheses.

H01: There is no significant impact of factors motivated to invest in Mutual Funds by the small investors.

H02: There is significant association between investors experience and selection of mutual funds.

Scope of the study: The study is limited to assess the factors motivated to invest in mutual funds by small investors residing in twin cities of Telangana state.

Research Methodology:

The research methodology is the explicit actions used in gathering, processing, and analyzing the data. It helps the researcher in what way the research is going to be carried out for finding a solution to the problem. It outlines how research is undertaken and the methods to be used in it. The selection of an appropriate research methodology is crucial to the effectiveness of research work. The below-mentioned steps have been followed in the research methodology.

Step -1: Identification of problem in the form of a question in the mind of a researcher
Step -2: Defining the statement of the problem
Step -3: Setting out the research objectives to attain in study
Step -4: Formation of the theoretical model
Step -5: Framing the research hypotheses
Step -6: Defining Research design (Sampling design & Data collection techniques)
Step -7: Tabulation and presentation of data
Step -8: Selection of statistical tools to be applied for the data analysis and interpretation
Step -9: Writing of research report

Sampling Design and Sampling Technique:

Sampling is defined as, the selection of a subgroup of the population from the target population to estimate characteristics of the whole population. In the present study, the researcher has used non-probability sampling. Because respondents in the study need prior knowledge of the Mutual Funds and who only invest in the market are select to fill the questionnaire. Therefore, a convenient sampling method or judgment sampling adopted due to large population in the defined geographical area i.e., Hyderabad & Secunderabad (twin) cities of Telangana state under the study.

Sample Size: The study is based on Primary data collected from the respondents by administering a structured questionnaire through Online (Google Form) as well as off – line (Physical). For this purpose, a suitable sample size of Investors is carefully designed. In this process, alpha level a priori at .05, has been set which plans to use a proportional variable, setting the level of acceptable error at 5%, and has estimated the standard deviation of scale as .5. William Cochran's (1977) sample size formula for categorical data used to find out the appropriate sample size for the study.

$$n_0 = \frac{(t)^{2*}(p)(q)}{(d)^2}$$

$$n_0 = \frac{(1.96)^2(.5)(.5)}{(.05)^2}$$

Where t = value for selected alpha level of .25 in each tail = 1.96. (The alpha level of .05 indicates the level of risk the researcher is willing to take that true margin of error may exceed the acceptable margin of error).

Where (p) (q) = estimate of variance = .25 (Maximum possible proportion (.5)*1-maximum possible proportion (.5) produces maximum possible sample size).

Where d+ acceptable margin of error for proportion being estimated = .05 (error researcher is willing to except).

= $(1.96)^2$ 0.5 0.5 / $(0.05)^2$ = 384

The minimum required sample size is determined as 384 but, 1000 Investors are selected for the study which is more than the minimum sample required. From that, 800 questionnaires are returned and 724 are found valid and considered as final sample. The response rate is 72.4% under the study.

Research Instruments: The researcher used a structured questionnaire to obtain the respondents opinion on Likert's five point scale.

Data Source: The data used for the study is Primary data. Primary data is the data collected for the purpose of study by the samples taken. The primary data was collected by conducting a personal interview through a structured questionnaire.

Geographical Area: The city of Hyderabad, Telangana State covers an area of 625 square kilometers (241 sq mi), has a population of 68, 09,970 making it the fourth most populous city in India. The male population consists of 35, 00,802, female population consists of 33, 09,168 and the total population consists of 68, 09,970 **(According to CENSUS - 2011).**

Table No – 1.1: Spread of Sampling Distribution

Brokerage Firm	Hyderabad		Secunderabad	
	Questionnaire Distributed / Mailed	Response Received	Questionnaire Distributed / Mailed	Response Received
ICICI Direct	50	41	50	29
Hdfc Securities	50	43	50	21
Sbi Capital	50	44	50	26
Kotak Securities	50	47	50	27
Angel One Broking	50	46	50	24
Share khan	50	46	50	32
Motilal Oswal	50	48	50	31
5paisa	50	47	50	32
Iifl	50	47	50	21
Upstox	50	48	50	24
Total	**500**	**457**	**500**	**267**
Grand Total	**1000**	**724**	**Response Rate**	**72.40%**

Source: **Researcher Compilation**

The sample spread across Hyderabad and Secunderabad was identified with the branch location of brokerage firms and the sample investors are selected on the basis of relationship manager. At first stage, Hyderabad and Secunderabad cities are classified into 5 geographical zones i.e., North, East, West, South and Central. From, each zone 2 brokerage firms are selected. Total 10 brokerage firms are selected and distributed 50 questionnaires through online and offline. Table 1.1 shows the questionnaire distribution and response received from the sample investors. Hyderabad area sample investors are more enthuastic and provided a high response rate compared to Secunderabad city investors. Overall, 724 sample size is confined under the study.

Data Analysis and Interpretation:

Table 1.2 Demographical profiles of the sample investors

Demographic Profile	Frequency	Percent
Area		
Hyderabad	457	63.1
Sec-bad	267	36.9
Total	724	100.0
Age		
<30	420	58.0
31-40	275	38.0
41-50	27	3.7
Above 50	2	.3
Total	724	100.0
Gender		
Male	406	56.1
Female	318	43.9
Total	724	100.0
EQs		
Below Graduation	30	4.1
Graduation	293	40.5
PG & Above	370	51.1
Professional Degree - CA/CMA/DOCTOR	31	4.3
Total	724	100.0
Marital Status		
Single	328	45.3
Married	388	53.6
Widowed	5	.7
Divorced	3	.4
Total	724	100.0
Annual Income		
Below Rs.3,00,000	254	35.1
Rs.3,00,001 - Rs.5 Lakh	155	21.4

Rs.5,00,001 - Rs.7 Lakhs	212	29.3
Rs7,00,001 - Rs.9,00,000	86	11.9
Above Rs. 9 Lakhs	17	2.3
Total	724	100.0
Annual Savings		
Less than Rs1,50,000	321	44.3
Rs.1,50,001 - Rs.3 Lakh	129	17.8
Rs.3,00,001-Rs.5 Lakhs	192	26.5
Above Rs.5,00,000	82	11.3
Total	724	100.0

Source: Primary Data

The data presented in table 1.2 shows the demographic profile of the sample investors under the study. Area wise Hyderabad city has 63.1% (457) and Secunderabad has 36.9% (267) sample investor. **Age wise distribution**, majority of the sample investors 58% (420) are <30 yrs, 38% (275) lies between 31-40 years, 3.7% (27) are 41-50 years. **Gender wise** - most of them are male i.e., 56.1% (406) and 43.9% (318) are female sample investors. **Educational Qualification** wise most of the sample investors are PG & Above is 51.1% (370) , **Graduation** are 40.5% (293) and remaining are Professional degree & below graduation investors. **Marital status wise** – Majority of the sample investors are Married i.e., 53.6% (388) and 45.3% (328) are unmarried or single. **Annual Income wise –** Majority of the sample investors 35.1% earn income below Rs. 3, 00, 000 and 29.3% of sample respondents earn of income Rs. 5, 00,001 – Rs.7 Lakhs.

Annual Savings wise – Most of the sample investors i.e., 44.3% (321) save money less than Rs. 1, 50,000 and 26.5% (192) are making save amount of Rs. 3, 00,001 – Rs. 5 Lakhs. Further, the researcher focus on the measuring factors motivated to invest in Mutual Funds. For this purpose, 17 statements are included in the questionnaire to measure and collect the opinions of the sample respondents on Likert's five point scale. The following are data interpretation of the factors motivated to invest in Mutual funds in Hyderabad and Secunderabad.

Objective -1: To measure the factors motivated to invest in Mutual Funds by small investors

The Bartlett's test of sphericity was used to determine the appropriateness of factor analysis by testing the magnitude of the correlations of the entire correlation matrix (Hair et al., 1998). Results from the Bartlett's test indicated significant correlations among measurement variables considered for the study, which are exhibited in table below. Kaiser (1974) has recommended KMO value of greater than 0.7 is acceptable and if stated value is between 0.7 and 0.8 is good. Value of our test 0.875 confirmed the adequacy of sample size that is considered for the purpose. Significance value of 0.000 indicates existence of relationship between the variables used in the study. Varimax rotation is used in this study since it has higher generalizability and replicability power on comparison with oblique rotation. Eigen values are used to select the number of factors.

Investment Criterion to Select Mutual Funds

Table No – 1.2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		**0.875**
Bartlett's Test of Sphericity	Approx. Chi-Square	7695.060
	df	136
	Sig.	**0.000**

Source: Primary Data

Table No – 1.3 Total Variance

Component	**Initial Eigen values**			**Extraction Sums of Squared Loadings**			**Rotation Sums of Squared Loadings**		
	Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	6.396	37.621	37.621	6.396	37.621	37.621	4.461	26.241	26.241
2	2.882	16.953	54.574	2.882	16.953	54.574	3.565	20.973	47.214
3	1.912	11.246	65.821	**1.912**	**11.246**	**65.821**	**3.163**	**18.607**	**65.821**
4	.869	5.109	70.929						
5	.780	4.588	75.518						
6	.700	4.117	79.635						
7	.511	3.005	82.640						
8	.485	2.851	85.491						
9	.396	2.332	87.823						
10	.375	2.205	90.028						
11	.337	1.981	92.009						
12	.330	1.941	93.950						
13	.296	1.741	95.692						
14	.230	1.356	97.048						
15	.185	1.085	98.133						
16	.178	1.047	99.180						
17	.139	.820	100.000						
Extraction Method: Principal Component Analysis.									

Source: Primary Data

Table 1.3 shows the total variance explained from the 17 statements. From total 17 components, three iterations are extracted. The total variance explained by these three iteration 65.281%. First component explains the total variance is 26.241%, second component explains the total variance is 20.973% and third component by 18.607%.

Table No – 1.4 Rotated Component Matrix

Statements	Component		
	1	2	3
Type of scheme			0.772
Image and popularity of Asset management company (AMC) / sponsor			0.814
Past performance – Date of Inception & Returns			0.765
Return and Risk			0.526
Volatility			0.578
Debt to Equity Balance			0.688
Net asset value (NAVs) / Avg. Returns		0.761	
Fund size (assets under fund)		0.743	
Expense ratio of the scheme		0.836	
Investment objective of the scheme		0.842	
Innovativeness in the scheme		0.804	
Entry and exit loads of the scheme	0.790		
Minimum initial investment of the scheme	0.799		
Growth prospects of the scheme	0.868		
Transparency	0.885		
Professional Management of Fund and Fund Managers Experience	0.801		
Diversification of Assets	0.758		
Rename Variables	Diversification and Growth	Innovativeness and Investment Criteria	Company Image & Risk - Return
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

Source: Primary Data

Table 1.4 shows the total variance explained from the seventeen statements. From total 17 components, three iterations are extracted. The total variance explained by these two iteration 78.094%. First component explains the total variance is 26.241%, second component explains the total variance is 20.973% and third component by 18.607%. Total cumulative variance explained by the 3 iterations are65.821%

Further, the researchers classify the components with loading factors and rename the variables as a label. **Component -1** consist of six statement such as Entry and exit loads of

the scheme is 0.790, Minimum initial investment of the scheme is 0.799, Growth prospects of the scheme is 0.868, Minimum initial investment of the scheme is 0.885, Professional Management of Fund and Fund Managers Experience is 0.801, and Diversification of Assets is 0.758. This component rename as Diversification and Growth Factor.

Component – 2: The factors included are Net asset value (NAVs) / Avg. Returns is 0.761, Fund size (assets under fund) is 0.743, Expense ratio of the scheme is 0.836, Investment objective of the scheme is 0.842, and Innovativeness in the scheme is 0.804. This component is renamed as Innovativeness and Investment Criteria.

Component – 3: the statements included in this component are Type of scheme is 0.772, Image and popularity of Asset management company (AMC) / sponsor is 0.814, Past performance – Date of Inception & Returns is 0.765, Return and Risk is 0.526, Volatility is 0.578 and Debt to Equity Balance is 0.688. This component renamed as Company Image and Risk – Return factor.

Objective -2: To analyze the small investor's experience to select the mutual fund schemes

- **Investor preference towards various types of Mutual Funds**

Table 1.5 Frequency Distribution of Types of Mutual Funds

Types of Mutual Funds	Frequency	Percent
Growth Schemes	240	33.1
Income Scheme	98	13.5
Balanced Scheme	158	21.8
Sectoral Schemes	137	18.9
Tax Savings Schemes	61	8.4
Index funds Schemes	2	.3
SIPs – Systematic Investments Plan	28	3.9
Total	724	100.0

Source: Primary Data

Table 1.5 – shows the frequency distribution of Types of Mutual funds invested by the retail investors. Majority of the respondents prefer growth schemes i.e., 33.1% and followed by Balanced Scheme 21.8%. Further, Sectoral Schemes, Income and Tax Saving schemes preferred by retail investors as 18.9%, 13.5% and 8.4% respectively. Interestingly, SIPs and Index funds schemes are preferred low by the retail investors i.e., 3.9% and 0.3% respectively. Further, the researcher focuses on the role of experience in selection of different types of mutual fund schemes. The below table shows the cross tabulation and Pearson chi-square test results.

Table No – 1.6 Cross tabulation between Investors Experience and Types of schemes for Investment

Exp in MF Investments	Type of Scheme for Investment in MF							Total
	Growth	Income	Balanced	Sectoral	Tax Savings	Index funds	SIPs	
Beginner (New to Market)	88	42	65	48	19	1	8	271
Less than a Year	59	19	39	42	12	0	4	175
1-3 Years	54	26	41	33	13	1	12	180
3-5 Years	25	7	9	10	8	0	3	62
5-10 Years	12	4	3	2	8	0	1	30
Above 10 Years	2	0	1	2	1	0	0	6
Total	240	98	158	137	61	2	28	724

Source: Primary Data

Table 1.7: Chi-Square Tests

Test	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	37.329[a]	30	0.168
N of Valid Cases	724		

Source: Primary Data

The results of cross tabulation shown in table 1.6 and it reveals that majority of the investors are new to market i.e., beginners and they invest in growth and balanced mutual funds. Those having less than a year experience also interested in growth funds and follow by the Sectoral mutual funds. Investors experience lies between 1-3 years interested in growth and balanced funds. 3-5 years of experience of Investors focused on the Growth and Sectoral funds. Investors experience between 5-10 years selecting Growth and Tax saving schemes. Further, the chi-square test results show that there is no significant association between Experience and selection of mutual funds. The null hypothesis H_{02} is accepted on the basis of p value = 0.168 i.e., $p>0.05$.

Results and Discussion:

The results show that small investors are motivated by three factors namely Diversification and Growth, Innovativeness & Investment Criteria and Company Image & Risk – Return analysis. Considering the experience of small investors, most of them are preferring growth funds but experience increases the selection of mutual funds are varied. Most of them interested in Growth funds i.e., 240, balance funds by 158 and Sectoral Funds by 137. The researcher provides the future directions to do research on Urban and Rural Investors preference towards various mutual fund schemes and gender wise analysis may be useful for further study. Further, the researcher suggest to further research on impact of behavioral biases on investment decisions of small investors towards mutual funds.

Limitations of the study

- The study is focused on the assessment and measuring individual investor's perception towards capital market investment. These individual investors are the bottom of the pyramid in stock market and their share of trading, investment is too small compared to FIIs and DIIs. Under the present study, the following are major limitations:
- Majority of the sample respondents are beginners for the investment and may have some personal bias under the study.
- The study is confines to Hyderabad and Secunderabad City only. The sample respondents are more from Hyderabad city as compared to Secunderabad city.
- The study is confines to Individual investors only as they are in bottom of the pyramid and top & middle level of pyramid are ignored under the study. The study is qualitative in nature and the sampling technique (convenient sampling method) used under the study may have its own limitation.

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