



Mutual Fund: Investors Perceptions on Investment

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Abstract

Investment plays an important role in personal financial life. The role of investment is to put forth our money to make an income for both present and future. The investment decision taken at the right time turns the life of the investor. Mutual fund is the most suitable investment as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively lower cost. Economic liberalization has made a sea change in the development of the economy in the past few years in the kingdom of Bahrain. Mutual Fund is popular as the investment of the Era. Knowledge about investment in financial assets was limited in the past decades and financial decisions were crucial for investors who expect maximum return of their investments. Recent trend shows not only wide investment opportunities to investors but also there is increase in the number of investors as well. Construction industry is the one which encompasses with varied levels of professionals, skilled and semi-skilled employees. This study aims at finding out the perceptions of investing in mutual fund. For that Survey method is used to collect quantitative information's regarding the perceptions of investors towards product portfolio, investment security, liquidity and the return on their investments in mutual funds.

Key words: Financial Decision; Investment; Mutual Fund.

1. Introduction

The business around the globe is growing fast. Now a day's people are more cared about the future than the olden days. For that people are striving to make more money.

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Money will grow or increase only if we are properly managing and utilizing the available funds. Financial security is the one that ever we need in our life. Investment provides an exciting return at the same time risk is also associated with it. Individuals or Investors tend to invest their money in different ventures to minimize the rate of risk.

An investment decision often starts from the needs that arise from a particular individual. The decision varies from men to women with different age groups. Even they have the same work experience, qualifications and so on. Their financial plan may entirely differ and also the decision making procedure may be difficult for them especially in terms of financial matters, whether to invest for long term or short term. Normally people used to create a saving first to meet their basic needs and then creating their financial plan for their future needs. Mostly the saving attitude is generated when people are thinking about the retirement or a targeted income for the future. But no one can promise all the investments will be profitable as the future is uncertain which we are not able to predict. The individual have to decide their investment objectives .once attained, and then investors will involuntarily be in to it. It will be better to prepare a road map i.e. a financial plan to create savings and then to invest the money wisely. Financial decisions are crucial for investors who expect maximum return of their investments. In relation to this there arises a need to understand the investor's attitude regarding different investment products. This study aims at finding out the perceptions of investment decision regarding Mutual Fund by the respondents in the Kingdom of Bahrain.

As per the report published by Ken little the guide of about.com [2], investment is placing the money to work for us. Among the population of Bahrain majority are expatriates and the country is providing better opportunities in various investment avenues. Therefore the employees are getting a way to invest their money to make more in a better way. But the choice of investment should depend on the particular investor. Before taking the decision investor have to think wisely.

For many people mutual fund is an appropriate way of investment, as it provides diversification of assets. Mutual fund is a type of investment company that pools money from many investors and invest in stocks, bonds etc. The income earned through this investment shared on the basis of the number of units owned by them. Hence it is a good opportunity for the lay man to invest their money as there is diversification of assets managed by experts at less cost." Lawrence.J.Gitman "and his colleagues"¹ describes mutual fund as a financial product sold by an investment company to the public".

Now a day's mutual funds are becoming popular as they provide professional management even to small investors which will lead them to participate in the capital market. The growth of mutual fund industry shows that is due to the diverse classes of financial assets, John.c.Bogle, [2] chairman of Vanguard Groups², he pointed out that "In investing, you get what you don't pay for. Costs matter. So intelligent investors will use low-cost index funds to build a diversified portfolio of stocks and bonds, and they will stay the course. And they won't be foolish enough to think that they can consistently outsmart the market." As the price of the securities moves up and down the market value of the shares will also move. When they are getting dividend or interest it will be paid to the fund holders on pro rata basis.

1.1 Meaning and Concept

Mutual fund was first developed in Netherlands in the 18th century and popularized in the 19th century by flourishing its start in Switzerland, Scotland, Us and then slowly to other countries⁵. Mutual fund is an investment company which collects money from several investors and invest the money in short term securities like stocks and bonds.

The main objective by introducing mutual fund is to provide a wide variety of investment portfolio. Mutual fund is at times known as investment funds. Investors can buy directly from the mutual fund companies or through mutual fund brokers. The money collected from the investors are then invested by the fund manager in different types of securities depending upon the objective and need of the investor. The securities could range from shares, debentures to money market securities. In return to this the investors are able to receive an income as dividend or interest based on the number of units owned by them. But it never promises a return. If there is loss it should also be borne by the investor. The level of risk involved is reduced to a certain extent due to the prominent support of fund managers. Thus, Mutual Fund is the most suitable investment vehicle for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost.

Mutual Funds can be open – ended or closed end. Open end issues new shares to the investors whereas in close ended fund the investor are able to get only few shares.

1.2. Conceptual Frame Work

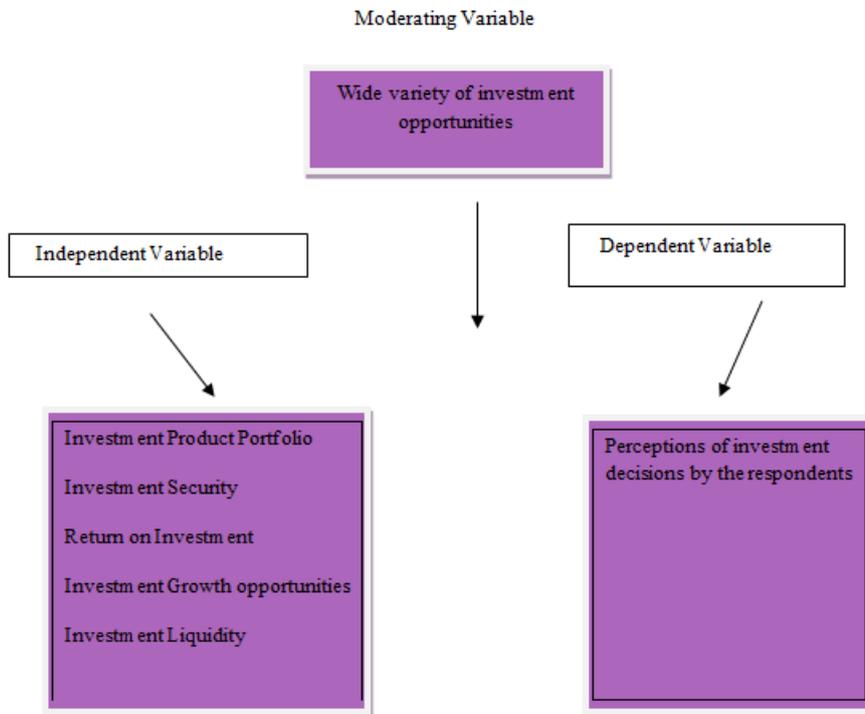


Figure 1

2. Objective of the study

1. To study the socio- economic profile of the respondents.
2. To study how the respondents perceive the investment decision making approaches in terms of the following:
 - 1- Investment product portfolio
 - 2- Investment security
 - 3- Return on investment
 - 4- Investment Growth opportunities
 - 5- Investment Liquidity.
3. What are the problems encountered by the respondents in their investment decision making approach?

3. Null Hypothesis

H_0 : There is no significant difference in the perceptions of the respondents in their investment decision making approach.

4. Scope of the Study

The financial system of Bahrain encourages the public to save and to channelize their resources in an efficient and effective way through financial institutions and the financial intermediaries. The financial institutions and financial intermediaries are considering investment products and savings as their main competitors. One of the financial intermediary which fosters the economy is mutual fund. Mutual fund is popular as the investment of the Era. For the investors they can reinvest their money which increases the net value of the asset for the future.

5. Limitations of the Study

The present study “Mutual Fund: Investors perception on Investment”, is focused only on the perceptions of investors in mutual fund in the Kingdom of Bahrain. The sample size for collecting the primary data was meager as it includes only 55 respondents, those belong to the working class group. The unemployed, retired and entrepreneurs are not included in the study; hence the conclusion would not be a universal one. More over personal biases and prejudices of the respondents may also affect the study.

6. Review of Literature

According to Olowe [3] and Pandey [4] , investment decision is the allocation of the resources for a future benefit. As the future is uncertain it is better think of the profitability of the investment and also the recommitment of investment in the future.

Each and every one of us have an objective, so the decisions have to be taken on the basis of the purpose that we

are either for the education of children, their marriage ,or to purchase , to construct a house the decision varies. First to decide how much to invest, the source to invest and then Prepare the financial plan of investment. The study conducted by the crown ministries [5] ^{giving} a guide line for the investors in taking the investment decision that to have patience for the money to work for you.

According to the report of Central Bank of Bahrain, by the end of May 2017^{w1}, the number of mutual funds stood at 2618 funds compared to 2745 funds as of May 2016. The net asset value of those funds totaled US\$ 7.51 billion as of the end of March 2017, reflecting a 6.07% increase compared to US\$ 7.08 billion in the previous year.

This report reveals that investment behavior of individuals is increasing day by day which shows a positive attitude towards the investment in mutual fund which provides comparatively less risk as it is well managed by portfolio managers.

Giridhari Mohanta & Dr.sathya swaroop [5] A study on investment preferences among the urban investors, concluded in their study that investors are investing in various investment opportunities for satisfying their financial, social and psychological needs.

The study on mutual fund an ultimate investment vehicle [6], shows that all age categories are interested in investments. The individuals who are single even employed were less invested. Most of the investors pool their resources to meet long term needs and they have proper financial plan. It is concluded that modern investors are developed and adequately tutored person.

Priti Mane [7]Noted in her study that investors are facing problems in deciding mutual fund as their investment option due to share market uncertainties and risk associated with it.

Abdul Rahman Al Baker, [8] Executive Director of Financial Institutions Supervision, Central Bank of Bahrain have commended in the Middle East Asset Management Forum 2017, that mutual fund sector is one of the fastest growing asset management industry. The industry is growing in a steady base through more than 2600 funds with US\$ 7.5 billion in assets under management. The number of investment business licensees also grew from 22 firms in 2006 to 55 as of the end of April 2017. This report reveals that mutual fund industry has been grown from its infant stage tremendously.

7. Analysis of the study

The Population of the sample is based on people working in the Kingdom of Bahrain. The population of the sample size for this study is based on 55 employees out of which five are holding managerial level positions. The research instrument used in this study is questionnaire. It is a written instrument which includes open and close ended questions. Likert scale is used to rate the study which helps the respondent's to precise it as favorable or not. Rating Scale 5 – strongly agree, 4- Agree, 3- moderately agree,2 –Disagree ,1- Strongly disagree.

T-test will be used to test significant difference of perceptions of the respondents on their investment decisions by the managers and employees. As to the Problems and recommendations that will be identified by the study the frequency, percentage and ranking will be used as the parameters.

Table 1: Distribution of Respondents

Respondents	Population	Sample Size
Managers	5	5
Employees	50	50
Total	55	55

7.1 Profile of Respondents

Table 2: Age group

Age	Frequency	percent
21-30	10	18.18%
31-40	23	41.82
41-50	17	30.90
51-60	5	9.09
Total	55	100

From the above table, the researcher found that 41.82 percent of the respondents fall in the age group of 31- 40, and with 30.90percent the customers of age group 41- 50 is near to them. The customers of 21 -30 is 18.18 percent and with lowest 9.09 percent the customers of 51- 60 group. It shows that age group is not a constraint for investment.

Table 2.1: Educational Attainment

Qualification	Frequency	Percent%
Technical	20	36.36
Diploma	10	18.18
Bachelor’s Degree	6	10.90
Master’s Degree	5	9.09
Others	14	25.45
Total	55	100

The table depicts above shows that technically qualified investors comes 36.36%, diploma holders 18.18 % , Bachelor’s degree holders 10.90%, Master’s degree holders seems to be 9.09% , and 25.45 % of them belongs to other qualifications. From this the researcher noticed that an educational qualification doesn’t have any influence on the investment attitude.

Table 2.2: Incomes

Income Level	Frequency	Percent%
BD 100- 200	8	14.54
BD 201- BD 500	22	40
BD 501- BD1000	20	36.36
BD 1001 – BD 1500	3	5.45
BD 1500 and above	2	3.63
Total	55	100

The table 2.2 depicts the income level of the respondents shows that 14.5% percent of the populations income falls in the category of BD 100- BD 200. Out of the total population 36.36 belongs to less than BD 501 – BD 1000 as their income. Forty percent lies in the category of BD 201 –BD 500. 5.45 percent falls in the income level of BD -1001 – BD 1500 and 3.63 percent belongs to BD 1500 and above respectively. It is clear from the analysis that middle level income people are more interested to invest their money for a high return or willing to take risk.

Table 2.3: Gender

	Frequency	Percent%
Gender		
Male	51	92.72.
Female	4	7.28
Total	55	100

The above mentioned table shows that 92.72% of the total populations are male and 7.28% are female. But this factor is not having any influence on investment decision.

Table 2.4: Marital Status

Marital status	Frequency	Percent %
Single	15	27.27
Married	40	72.73
Total	55	100

From the above mentioned table it shows 27.27% are single and 72.73% are married among the total population.

Table 2.5: Age of Investment

Age of Investment	Frequency	Percent%
Up to 1 year	15	27.27
1 to 3years	27	49.09
3 to 5 years	7	12.72
5 to 10 years	6	10.90
10 years and above	0	0
Total	55	100

From the above table, the researcher found that 49.09 percent of the respondents invested their money in the last 3 years. Twenty seven percent of the investors started investing in mutual fund only this year, and 12.72 percent started investing between 3 to 5 years. 10.90 percent between 5 to 10 years.. And no one from the population has invested more than 10 years. It shows that majority of the investors wants to get the return as early possible and not willing to wait for a high return which involves a higher rate of risk.

7.2 Perceptions of investment decisions by the respondents in the Kingdom of Bahrain

Table 3: Perceptions of investment: Investment product port folio

Perceptions of investment: Investment product portfolio.	Managers Mean	Employees Mean	Weighted Mean	Verbal Interpretations
Mutual fund offers a good line up of investment options(debt & equity, only equity)	4.26	3.28	3.42	Moderately Agree
Provides adequate measure of investment’s ability to generate cash.	4.18	3.6	3.82	Agree
Offers relative level of stability in overall investment portfolio.	2.7	3.2	3.48	Moderately Agree
Maximizes returns through acquisition of low market value investments and development of investment strategies.	2.28	4	3.72	Agree
Results in effective allocation of investments across the investment portfolio.	2.14	4	3.72	Agree
Average Weighted Mean	3.28	3.976	3.63	Agree

The above mentioned table depicts that managers and employees moderately agrees with the lineup of mutual fund investments (3.42). They mutually agreed on the overall stability of investment (3.48), maximizes returns (3.72) and results in effective allocation of investments across the portfolio (3.72). However, the managers and employees agree on the status of investment portfolios with mutual fund in the Kingdom of Bahrain with a weighted average mean of 3.63.

The average weighted mean implies that both the managers and employees are confident of the mutual fund investments.

Table 3.1: Perceptions of investment decisions: Investment Security

Perceptions of investment decisions: Investment Security	Managers Mean	Employees Mean	Weighted Mean	Verbal Interpretations
Offers secured source of additional regular income to meet demands for cash.	3.332	4.04	3.69	Agree
Provides adequate funds at times of emergency needs.	3.187	4.2	3.69	Agree
Offers regular retirement income.	3.504	4.08	3.79	Agree
Provides source of liquidity and capital gains.	3.288	4.16	3.72	Agree
Diversifies the fund among different assets.	3.652	4.2	3.93	Agree
Average Weighted Mean	3.393	4.136	3.76	Agree

Table 3.1 mentioned table depicts that managers and employees moderately agrees an additional source of regular income through mutual fund investments (3.69). They moderately agrees that mutual funds provides adequate funds at times of emergency needs (3.69) , source of liquidity (3.72) and diversifies the funds among different assets(3.93). However, the managers and employees moderately agree on the investment security with a composite mean of 3.76.

The result of investment security variable in table 3.2 depicts that managers and employees agrees with the investment variable that provides high growth potential, measures of investment’s profitability and capital gain. he managers moderately agrees with criteria that allows effective decision making on profits relative to investments (2.42) , reliable information on financial values and it performances (3.34).

Table 3.2: Perceptions of investment: Return on Investment

Perceptions of investment:	Managers	Employees	Weighted	Verbal
Return on Investment	Mean	Mean	Mean	Interpretations
Diversifies the fund among different assets to increase rate of return.(High growth potential)	3.34	4	3.7	Agree
Offers effective measure of investments' profitability.	3.	4	3.5	Agree
Results in increased investment's market value and capital gain.	3.5	3.8	3.65	Agree
Allows effective decision making on profits relative to investments.	2.42	4	3.21	Moderately Agree
Offers reliable information on investments' financial value and performance.	2.48	4.2	3.34	Moderately Agree
Average Mean	2.96	4	3.48	Moderately Agree

Table 3.4: Perceptions of investment decisions: Investment Growth opportunities

Perceptions of investment decisions: Investment Growth opportunities	Managers Mean	Employees Mean	Weighted Mean	Verbal Interpretations
Provides developments on investment offerings and trends in opportunities in investments' marketplace.	4.2	4.92	4.2	Agree
Allows sound investment decisions, wise business acquisitions and attractive investments' purchases.	3.388	4.4	4.14	Agree
Measures investments' financial performance to meet requirements on expenditures.	4.12	3.4	3.76	Agree
Offers attractive investment returns at minimum risk and greater control on varied choices of investments.	2.44	3.8	3.12	Moderately Agree
Provides access to credit opportunities.	2.34	4.6	3.47	Moderately Agree
Average Mean	3.396	4.08	3.738	Moderately Agree

Table 3.4 depicts that managers and employees agree on the investment offerings and trends in investments market place (4.2). They moderately agree with minimum risk and greater control on choice of investments (3.12), they moderately agree with the access to credit opportunities with mutual fund portfolios.

Table 3.5: Perceptions of investment decisions: Investment Risk

Perceptions of investment decisions: Investment Risk	Managers Mean	Employees Mean	Weighted Mean	Verbal Interpretations
Reduces uncertainty of benefits that can be realized from the investments.	4.2	4.2	4.2	Effectively Agree
Results in safe investments with earnings that exceed inflation rate.	3.88	4.4	4.14	Moderately Agree
Allows effective investment management through development of investment portfolio and investment diversification.	4.12	3.4	3.76	Moderately Agree
Provides analysis of risk factors and their impact in making investment decisions.	2.44	3.8	3.12	Moderately Agree
Allows development of methods of mathematically quantifying investment risks in order to gain adequate financial rewards.	2.34	4.6	3.47	Moderately Agree
Average Mean	3.396	4.08	3.738	Moderately Agree

The above mentioned table 3.5 on the level of effectiveness of investment decision making approach in the construction industry in the Kingdom of Bahrain Investment Risk depicts that managers and employees were effectively agreed that mutual fund Reduces uncertainty of benefits that can be realized from the investments (4.2). It also results in safe investments with earnings that exceed inflation rate (4.14). The employees were highly effectively agreeing allows effective investment management through development of investment portfolio and investment diversification (3.7.6).

The results of the t-test depicts, one assumed equal variance and the other unequal variance.

The first part gives Levene's test values for equal variances assumed. The p-value of Levene's test is 0.046, which is same for the variance of the two groups. As the p-value of Levene's test is less than 0.05, have to focus on the "Unequal variance" result. From the t values, as it is less than 0.001, reject the null hypothesis and conclude that there is difference between the mean score of managers and employees at 5% significance level.

Table 3.6: T-test Result

		Independent Samples Test								
		Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Interval of the	
									Lower	Upper
Equal variances assumed		5.569	.046	-1.209	8	.261	-.40800	.33733	-1.18589	.36989
Equal variances not assumed				-1.209	4.596	.285	-.40800	.33733	-1.29855	.48255
Equal variances assumed		4.184	.075	-2.250	8	.055	-.69360	.30825	-1.40442	.01722
Equal variances not assumed				-2.250	5.206	.072	-.69360	.30825	-1.47663	.08943
Equal variances assumed		3.195	.112	-1.383	8	.204	-.50667	.36638	-1.35153	.33820
Equal variances not assumed				-1.383	6.095	.215	-.50667	.36638	-1.39976	.38643
Equal variances assumed		.022	.887	-1.811	8	.108	-.47520	.26244	-1.08038	.12998
Equal variances not assumed				-1.811	7.660	.109	-.47520	.26244	-1.08509	.13469
Equal variances assumed		6.403	.035	-2.518	8	.036	-.83840	.33296	-1.60622	-.07058
Equal variances not assumed				-2.518	4.481	.059	-.83840	.33296	-1.72503	.04823

Table 4: Problems Encountered

	PROBLEMS ENCOUNTERED	FREQUENCY
1	Difficulty in the allocation of investments across investment portfolio.	14
2	No adequate measure of investments' attractiveness.	15
3	Failure to allocate limited resources in competing investment opportunities.	6
4	Problems in quantifying investment uncertainties and opportunities.	5
5	Development of capital structure that will result in obtaining maximum value in investments.	16
6	Identification of relevant investment costs and benefits.	19
7	Lack of formal procedures in investment appraisal methods.	26
8	Selection of the right investment appraisal method for setting financial and non-financial criteria in the process of investment decision making.	8
9	Inability of the investment appraisal methods to consider intangible benefits.	12

8. Conclusion

The above study concludes that there is a great confidence across the market to invest in mutual funds. When we invest of course there is a chance of losing our money than we save. In mutual fund or any other such investments there is no assurance of safety. Once we saved money, then if carefully invest our money according to the needs as short term or long term it can reduce the level of risk .It can be summarized based on the financial management principle that “ don’t put all your eggs in one basket”, and mutual fund helps to diversify the investments.

The study reveals that age and educational qualification is not a constraint for investment. Rather on the designation, income or qualification most of the respondents have invested their money for a retirement income. Diversification and professional management are the important advantages that influence the investors to choose mutual fund as their ultimate investment.

9. Recommendations

As Bahrain is one of the strongest economies in the Middle East have to create more awareness in the market to untapped the market potential A further study can be done to know the level of perceptions and effectiveness based on the same five variables; investment product portfolio, investment security, returns on investment, investment growth opportunities, and investment risk.

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