A STUDY ON AWARENESS OF INVESTORS ABOUT THE MUTUAL FUND INVESTMENTS IN MUSIRI TALUK

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ABSTRACT

Mutual Fund is a vehicle that attracts small and medium investors, thus strengthen the capital market. There are many reasons to invest in mutual funds such as dividend declarations, tax benefits, lesser risk, and value of assets, cost etc. The mutual fund industry in India has undergone a most successful phase in the last 10 years. The AUM has shown a tremendous growth since inception from Rs.25 crore in 1965 to Rs.701443 crore in March 2013. The growth in number of schemes offered by Indian mutual funds from 403 schemes in 2002-03 to 1294 schemes in 2011-12 has shown the inclination of investors towards mutual fund. The resources mobilized by public sector funds is Rs. 314706 crore in 2002-03 and reached to a high of Rs.10, 019,023 crore in 2009-10 of which the share of public sector mutual fund is around 80 percent of the total fund mobilized. But this tremendous growth in the mutual fund industry in India is still lacking far behind other developed nations. With this background both primary data and secondary data have been collected. Percentage analysis and chi-square test have been used for testing hypotheses.

Key words: Mutual Funds, Investments, Awareness’ level

http://www.iaeme.com/IJM/index.asp

1. INTRODUCTION

Our Indian financial system is based on four components such as Financial Market, Financial Institutions, Financial Services and Financial Instruments. Out of which Financial Markets are the backbone of our economy and it attracts more investors to invest in our Financial Market. Now a day’s small investors also invest money in the financial market through the mutual funds. Mutual Fund industries attract more investments from the small investors and in near future there will be an increases in savings in mutual funds rather than bank deposits. Mutual Fund is a vehicle that attracts small and medium investors, thus strengthen the capital market. There are many reasons to invest in mutual funds such as dividend, tax benefits, lesser risk, and value of assets, cost etc. The mutual fund industry in India has undergone a most successful phase in the last 10 years. The AUM has shown a tremendous growth since inception from Rs.25 crore in 1965 to Rs.701443 crore in March 2013. The growth in number of schemes offered by Indian mutual funds from 403 schemes in 2002-03 to 1294 schemes in 2011-12 has shown the inclination of investors towards mutual fund. The resources mobilized by public sector funds is Rs. 314706 crore in 2002-03 and reached to a high of Rs.10,
019.023 crore in 2009-10 of which the share of public sector mutual fund is around 80 percent of the total fund mobilized. But this tremendous growth in the mutual fund industry in India is still lacking far behind other developed nations. Developed financial markets like the United States (U.S.) accounting for 48.60 percent share, European mutual fund for 31 percent share and Africa and Asia/Pacific manages only 13 percent share while India manages only 0.43 percent of share in worldwide mutual fund market. (sources Pratap m.Chauhan, Sunil m. Adhav, Recent Trends in Mutual Fund Industry in India, International Journal of Science, Technology & Management www.ijstm.com volume no.04, issue no. 04, april 2015). With this background both primary data and secondary data have been collected. Percentage analysis and chi-square test have been used for testing hypotheses.

2. IMPORTANCE OF THE STUDY
Now a day Mutual fund investments are the good source of investments and it is more useful for the salary class people for getting tax benefit. Mutual fund industries are gaining importance because the salaried class people and the middle income people prefer their investment preferable avenue for their investment destination. There are traditional investment option are available like gold investment, government bonds, real estates, post office savings schemes, insurances and fixed deposits. Even though irrespective of their age, gender and their income most of the investors are gaining awareness about the mutual funds. Thus indirectly help to mobilize the capital formation. Yet there are a lot of hurdles faced by the investors to invest in mutual funds because of lack of awareness. In fact, many a times, people investing in mutual funds too are unclear about how they function and how one can manage them. So the organizations which are offering mutual funds have to provide complete information to the prospective investors relating to mutual funds. This is the main reason for this study.

3. OBJECTIVES OF THIS STUDY
- To know the reasons for preferring to invest in mutual fund
- To know the way in which the awareness created among the investors about investment avenue of mutual fund industries
- To know the barriers faced by the investors while invest in mutual fund
- To offer some suggestions to the mutual fund industries and the investors

4. HYPOTHESIS OF THE STUDY
1. There is no significant difference between the age group of the investors and the level of awareness of mutual fund investments
2. There is no significant difference between the gender of the investors and the level of awareness of using mutual fund investments
3. There is no significant difference between the education of the investors and the level of awareness of using mutual fund investments
4. There is no significant difference between the occupation of the investors and the level of awareness of using mutual fund investments
5. There is no significant difference between the income of the investors and the level of awareness of using mutual fund investments.

5. METHODOLOGY OF THIS STUDY
Both Primary data and secondary data have been collected for the study. Secondary data collected from books, journals, websites ect. A structured questionnaire is used to collect the primary data from 250 investors used convenient random sampling techniques. The data are analyzed using percentage analysis and chi square test at 5 percent level of significant confidence level.

6. LIMITATIONS OF THE STUDY
The primary data have been collected from 250 respondents only and the period of collection in only one month (December 2015). Convenient random sampling technique is used to collect the data and the study may give full picture of the investors awareness and it may not be applicable other parts of the country.
7. REVIEW OF LITERATURE

- RAVI VYAS (2012) Now a day’s financial markets are appeared as more efficient and significant to fight against inflation, mutual funds as a part of financial markets become popularized among investors because of their convenient nature and they also facilitates easy operations with good returns. Though they are not favored by many other investors as they are more depend upon volatile stock markets and struggling hard to differentiate product range to satisfy retail investor. This research paper focused attention on number of factors that highlights investors’ perception about mutual funds. It was found that mutual funds were not that much known to investors, still investor rely upon bank and post office deposits, most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from the fund which were not giving desired results. Equity option and SIP mode of investment were on top priority in investors’ list. It was also found that maximum number of investors did not analyze risk in their investment and they were depending upon their broker and agent for this work.

- UNNAMALAI.T (Dec 2013) Indian Mutual Fund (IMF) industry provides reasonable options for an investors to invest in the share market. Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. As of now big challenge for the mutual fund industry is to mount on investor awareness and to spread further to the urban, semi-urban and rural areas. These initiatives would help towards making the Indian Mutual Fund industry more vibrant and competitive. Therefore a need is there to study investor’s perception regarding the Mutual Fund. In this context, the need of study has been aroused in order to see them preference, awareness and the investors’ perception regarding the mutual funds in Tiruchirapalli district both in urban areas. With this background an attempt is made to know the perception of investors in investing in mutual fund industries. For the purpose of the study the primary data have been collected in Tiruchirapalli district. Only primary data have been collected for the study. Correlation only used for testing the hypotheses of this study.

- PADMAJA. R, (2013) A mutual fund is a type of professionally-managed collective investment vehicle that pools money from many investors to purchase securities. As there is no legal definition of mutual fund, the term is frequently applied only to those collective investments that are regulated, available to the general public and open-ended in nature. Mutual funds have both advantages and disadvantages compared to direct investing in individual securities. Today they play an important role in household finances. So the present study aims at consumer behavior towards mutual funds with special reference to ICICI Prudential Mutual Funds Limited, Vijayawada. Data was collected through primary and secondary sources. Primary data was collected through structured questionnaire. Convenience sampling method was used to collect the data and entire study was conducted in Vijayawada City.

8. PROFILE OF MUSIRI TALUK

According to the 2011 census, the taluk of Musiri had a population of 226,372 with 113,033 males and 113,339 females. There were 1003 women for every 1000 men. The taluk had a literacy rate of 69.68. Child population in the age group below 6 was 11,336 Males and 10,488 Females. (Sources https://en.wikipedia.org/wiki/Musiri_taluk)

9. PHASES OF MUTUAL FUNDS

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases

9.1. First Phase - 1964-1987

Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.
9.2. Second Phase - 1987-1993 (Entry of Public Sector Funds)

1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

9.3. Third Phase - 1993-2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs. 44,541 crores of assets under management was way ahead of other mutual funds.

9.4. Fourth Phase - Since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs. 29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

The second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs. 76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. The graph indicates the growth of assets over the years.

### Table 1 Reasons for investing in mutual funds

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Particulars</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutrals</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Risk Diversification</td>
<td>11</td>
<td>23</td>
<td>65</td>
<td>39</td>
<td>112</td>
</tr>
<tr>
<td>2</td>
<td>Liquidity</td>
<td>23</td>
<td>11</td>
<td>72</td>
<td>47</td>
<td>97</td>
</tr>
<tr>
<td>3</td>
<td>Transparency</td>
<td>9</td>
<td>7</td>
<td>79</td>
<td>69</td>
<td>86</td>
</tr>
<tr>
<td>4</td>
<td>Low cost</td>
<td>8</td>
<td>12</td>
<td>104</td>
<td>59</td>
<td>67</td>
</tr>
<tr>
<td>5</td>
<td>Professional Management</td>
<td>31</td>
<td>33</td>
<td>82</td>
<td>48</td>
<td>56</td>
</tr>
<tr>
<td>6</td>
<td>Tax benefit</td>
<td>6</td>
<td>17</td>
<td>29</td>
<td>64</td>
<td>134</td>
</tr>
<tr>
<td>7</td>
<td>Flexibility</td>
<td>17</td>
<td>27</td>
<td>44</td>
<td>73</td>
<td>89</td>
</tr>
<tr>
<td>8</td>
<td>Expected returns</td>
<td>39</td>
<td>18</td>
<td>25</td>
<td>61</td>
<td>107</td>
</tr>
<tr>
<td>9</td>
<td>Wealth creation</td>
<td>23</td>
<td>21</td>
<td>113</td>
<td>48</td>
<td>45</td>
</tr>
<tr>
<td>10</td>
<td>Safety</td>
<td>34</td>
<td>29</td>
<td>96</td>
<td>42</td>
<td>49</td>
</tr>
</tbody>
</table>

Sources primary data

Dr. T. Unnamalai, “A Study on Awareness of Investors about the Mutual Fund Investments in Musiri Taluk” – (ICAM 2016)
Table 2 Types of investments other than Mutual funds

<table>
<thead>
<tr>
<th>Investment other than mutual funds</th>
<th>No. of respondent</th>
<th>Percentage of respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>112</td>
<td>45</td>
</tr>
<tr>
<td>Bank deposits</td>
<td>168</td>
<td>67</td>
</tr>
<tr>
<td>Real estate</td>
<td>54</td>
<td>22</td>
</tr>
<tr>
<td>Post office investments</td>
<td>75</td>
<td>30</td>
</tr>
<tr>
<td>Insurances</td>
<td>212</td>
<td>85</td>
</tr>
<tr>
<td>Government bonds</td>
<td>78</td>
<td></td>
</tr>
<tr>
<td>Shares and Debentures</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>PPF</td>
<td>73</td>
<td>29</td>
</tr>
<tr>
<td>Chit Funds</td>
<td>137</td>
<td>55</td>
</tr>
</tbody>
</table>

Sources primary data

Table 3 Awareness about the mutual funds

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutrals</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends &amp; relatives</td>
<td>22</td>
<td>29</td>
<td>47</td>
<td>65</td>
<td>87</td>
</tr>
<tr>
<td>T V / Radio Advertisements</td>
<td>11</td>
<td>39</td>
<td>67</td>
<td>71</td>
<td>56</td>
</tr>
<tr>
<td>News paper / Magazine Advertisements</td>
<td>24</td>
<td>46</td>
<td>57</td>
<td>75</td>
<td>48</td>
</tr>
<tr>
<td>Mutual fund agents</td>
<td>9</td>
<td>15</td>
<td>29</td>
<td>76</td>
<td>121</td>
</tr>
<tr>
<td>Bankers</td>
<td>21</td>
<td>37</td>
<td>69</td>
<td>78</td>
<td>45</td>
</tr>
<tr>
<td>Past experience</td>
<td>11</td>
<td>45</td>
<td>69</td>
<td>62</td>
<td>63</td>
</tr>
<tr>
<td>Institutional value</td>
<td>8</td>
<td>28</td>
<td>49</td>
<td>68</td>
<td>97</td>
</tr>
</tbody>
</table>

Sources primary data

Table 5 Mode of investment preferred by Investors

<table>
<thead>
<tr>
<th>Particulars</th>
<th>No. of responded</th>
<th>% of responded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lump Sum Investment</td>
<td>76</td>
<td>30</td>
</tr>
<tr>
<td>Systematic Investment Plan</td>
<td>139</td>
<td>56</td>
</tr>
<tr>
<td>Systematic Transfer Plan</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Other schemes</td>
<td>32</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources primary data

10. HYPOTHESIS OF THE STUDY

1. There is no significant difference between the age group of the investors and the level of awareness of mutual fund investments
2. There is no significant difference between the gender of the investors and the level of awareness of using mutual fund investments
3. There is no significant difference between the education of the investors and the level of awareness of using mutual fund investments
4. There is no significant difference between the occupation of the investors and the level of awareness of using mutual fund investments
5. There is no significant difference between the income of the investors and the level of awareness of using mutual fund investments.
**Factors** | **Calculated value** | **Table value** | **Result**  
--- | --- | --- | ---  
Age group | the level of awareness of mutual fund investments | 13.65 | 9.488 | Rejected  
Gender | the level of awareness of mutual fund investments | 7.98 | 5.991 | Rejected  
Education | the level of awareness of mutual fund investments | 11.74 | 9.488 | Rejected  
Occupation | the level of awareness of mutual fund investments | 16.98 | 12.592 | Rejected  
Income | the level of awareness of mutual fund investments | 17.67 | 12.592 | Rejected  

- There is significant difference between the age group of the investors and the level of awareness of mutual fund investments.
- There is significant difference between the gender of the investors and the level of awareness of using mutual fund investments.
- There is significant difference between the education of the investors and the level of awareness of using mutual fund investments.
- There is significant difference between the occupation of the investors and the level of awareness of using mutual fund investments.
- There is significant difference between the income of the investors and the level of awareness of using mutual fund investments.

**11. FINDINGS OF THE STUDY**

- Age of the respondent clearly explains their experience and their maturity level of them. Due to this reason only age of the respondents has been collected. 64 of them are from the age group of below 30, 53 of them are from the age group of 30-40, 89 of them from the age group of 40-50, 33 of them from the age group of 50-60 and remaining 11 of them are from the age group of above 60. Majority of them are from the age group of 30-40.
- According to their educational level 54 of them have completed their higher secondary level, 135 of them are completed their under graduate programme, 115 of them completed their post graduate level, 11 of them completed their professional degree and 7 of them are completed their Diploma courses, Certificate courses like this.
- Responsibilities have been increased after their marriage. Due to this reason data have been collected. Majority of them 64 per cent of the respondents got married, and 36 of them are unmarried.
- 15 of the respondent are house wife, 137 of them are employed in private, government, and public ltd companies, 82 of them are doing their own business, and 16 of them retired from their employment.
- 97 of the respondents belong to the monthly income of below 10000 and 112 of them belong to 10000-20000 as their income level and 11% of respondent are getting 20000-30000 and 14 of them are getting more than 30000 per month as their income.
- The respondents belong to the family size of 4 members are 47% and they are belong to the nuclear family system and 49% of the respondents belong to joint size of 4-6 members, 6 of the respondents have more than 6 members and less than 8 members in their family, 3 of them are having 8 members in their family.
- Majority of them (139) invested in systematic investment plan.
- Majority of them (226) aware about the industries through the brokers.
12. SUGGESTIONS OF THE STUDY

- Nearly 226 of them invest their money according to the advice of the brokers. Some investors complained that the brokers are more interested in their incentives provided to them by the companies for selling more schemes. So, the brokers, sub brokers and agents are in a position to safeguard their customers.
- Steps should be taken by the companies to boost the confidence and morale of the investors. The company has to conduct the regular customers’ awareness programmes for safeguarding their customers.
- Timely and right information should be provided to their customers by way of different communication modes. It will help the customers come to know about the latest trends in the market.

13. CONCLUSION

In the dynamic environment a lot of investment opportunities are available to the investors in the financial markets. Investors can invest in shares, bonds, debentures, gold, bank deposits, post office savings schemes, chit funds etc. But nowadays investors prefer to diversify their risks and the returns should be high, tax exemptions etc. Today many institutions are busy in providing wealth management services to its investors. But these services are very costly. Due to these reasons the mutual fund industries gaining importance and attracts more investors. The present study analyses the mutual fund investments in relation to investor’s awareness. In this study above the awareness about the schemes, the study is trying to find out the various investments other than mutual funds. Nearly 75% of the investors are having investments other than mutual funds. The study also find out the opinion of the investors and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, investors’ opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. The study reveals that there is a positive growth in their investments and majority of them expects safety, diversification of their risks, high returns etc. Majority of them expects better advice from the agents. Instead of the agents regular awareness campaign should be conducted by the companies. It will win the confidence of the investors. In order to maintain their confidence in mutual funds they should be provided with timely information relating to different trends in the mutual fund industry. Today the main risk before mutual fund industry is to convert the potential investors into the reality investors. In order to win the confidence of the investors more innovative schemes should be launched from time to time by the corporate. This only help the company to win confidence of the investors. All this will lead to the overall growth and development of the mutual fund industry.

REFERENCES


Dr. T. Unnamalai, “A Study on Awareness of Investors about the Mutual Fund Investments in Musiri Taluk” – (ICAM 2016)
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