

Awareness and Perception of People towards Mutual Funds at Coimbatore City

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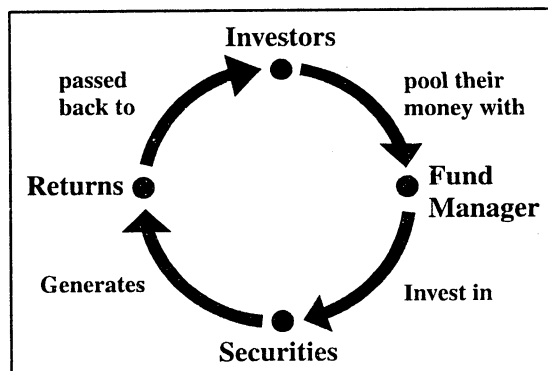
THE INDIAN ECONOMIC SCENARIO FOR FINANCIAL SERVICES

The Indian economy has a large number of investors in financial services. There are also many firms with claims to their cash flow, regularly traded movement in the active secondary security market. In addition to these investors and firms, there are also a large number of financial intermediaries contributing to the market efficiency through financial services created to keep happy the focused financiers demand. The legal responsibilities of the mediators are roofed in the secondary market for firm's securities, with marketing cost, keeping out investors from directly catering these services. When we analyze the trade focus of Indian banks and financial institution for the last 25 years, three major trends are perceptible. Since early 1980's-mid 1990's, the major thrust was on different types of short-term deposit like fixed deposits, recurring deposits, etc., and disbursement of loans to industry sectors. From end of nineties, the focus shifted to retail sectors like providing car loans, home loans, personal loans, etc. However, with influx of LPG policy in the Indian financial system, banks are more focused on different monetary instruments like Mutual funds and derivatives market. Consequently, it will be really confronting for the Indian banks and other financial services providers, to attain sustainable growth in the Indian financial market.

MUTUAL FUND - AN OVERVIEW

The Mutual Fund is an investment vehicle for investors who pool their saving for investing in diversified portfolio of securities with the aim of attractive yields and appreciation in their value. Securities and exchange board of India regulations, 1996 define 'Mutual Fund' as "a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the Mutual Fund is a special type of institution, a trust or investment company which acts as sand investment that investors get steady returns, capital appreciation and a low risk. A Mutual Fund is a pool of money, collected from investor, and is invested according to certain investment objectives.

A Mutual Fund is a trust that bands the savings of a number of investors who share common monetary and pecuniary purposes. The Collected money is invested in capital market instruments such as shares, debentures and other securities. The income earned through these stash and the capital appreciation realized is shared by its unit holders in fraction and proportion to the number of units possessed by investors. Consequently Mutual Fund is the most suitable investment for every person as it offers an occasion to invest in a varied, professionally managed storage bin of securities at a relatively low cost. The following Fund run chart portrays broadly the working of a Mutual Fund i.e. flow of money in mutual finds.



Depending on the investment portfolio that created the following type of services offered by Mutual Fund firms ie Equity fund, Debit fund and balanced fund. Mutual Fund is a special type of the investing foundation, which acts as investment contact. It collects savings of the community through its various schemes and invests large fund in diversified portfolio with the objectives of maximizing return income on investments. But still now the small investors are facing the problems for which scheme is to be selected for the future benefit? Our answer for this question is that

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HISTORY OF THE INDIAN MUTUAL FUND INDUSTRY

First Phase (1964-87)	First scheme launched by UTI was Unit Scheme 1964.
Second Phase (1987-1993)	Entry of Public Sector Funds
Third Phase (1993-2003)	Entry of Private Sector Funds
Fourth Phase – since February 2003	1963 UTI was bifurcated into two separate entities.

Source: <http://www.amfiindia.com/showhtml.asp?page=mfindustry>

awareness of Mutual Fund should play an important role and Mutual fund firms and Intermediaries must do it. Hence, here our study concentrates on Awareness and Perception of People towards mutual funds at Coimbatore city. The study has the following objectives.

OBJECTIVES OF THE STUDY

1. To analyze the investor awareness level and factors affecting towards investment. 2. To know the differing perception of people towards Mutual Funds and its companies. 3. To analyze the sustainability of various kind of mutual funds and its investors. 4. Recommend and ranking India's best mutual funds.

RESEARCH DESIGN AND METHODOLOGY

A descriptive research design was adopted to do the survey with help of questionnaire. The study used non-probability convenience sampling. The sample size taken for this study is 100 existing investor from different Mutual Fund companies at Coimbatore City. The primary data was collected by direct interview method by approaching the investor. The secondary data was collected through various books, websites, company records, and Mutual Fund offer documents.

DEMOGRAPHIC CHARACTERISTICS

In this study we are concentrating on awareness level among different age group of the investors. The selected sample respondents were asked to fill their appropriate answers for the questions given. The demographic data presented in Table 1 indicates that most of the respondents fall into age category of 25-35 years as it was indicated

Table 1: Demographic Characteristics

	Characteristics	No. of the respondents	Percentage
Age	Total No of Respondents	100	100
	Below 25 years	9	9
	25-35 years	46	46
	35-45 years	33	33
	Above 45 years	12	12
Sources of Income	Salary	40	40
	Business	48	48
	Others	12	12
Annual Income	Less than 120000	19	19
	120000 to 240000	30	30
	240000 to 360000	23	23
	360000 to 480000	12	12
	More than 480000	16	16

by 46% respondents in sample. 33% of the respondents belong to 35-45 years and the respondents in the age group of above 45 years accounts for 12% and remaining 9% of the respondents fall in the age group of below 25 years. From this above table we could observe that 25-35 years (middle aged) people have lot of interest and more investment in mutual funds. Analysis also indicates that as many as 40 percent of the respondents were highly dependent on monthly salary. Further, 48 percent of them have income sources as Business and profession and only 12 percent of them having earning from other sources like house rent, bank deposit interest, pension & etc. When we analyze annual income of the respondents, 30% of them fall under category of Rs 1,20,000 to 2,40,000 per annum, 23% of them fall under the category of Rs 2,40,000 to 3,60,000 per annum, only 19% respondents come under less than Rs 1,20,000 per annum, 16% of the people have More than Rs 4,80,000 income per annum and the annual income of the rest of the 12% of the people fall between 3,60,000 to 4,80,000 per annum.

AWARENESS AND INTEREST TO INVEST IN MUTUAL FUND

Today mutual fund companies provide many services like different types of schemes; time frame, investment option, etc. Therefore an attempt was made to know the awareness and interest to invest in mutual funds. The received information indicates that 100 percent of the respondents were well aware of Mutual funds and its companies operation as well as having more interest to invest in mutual funds.

Table 2: Awareness and Interest

Option	No. of the respondents	Percentage
Yes	100	100
No	0	0
TOTAL	100	100

INFORMATION SOURCE OF AWARENESS

There is too much general form of information sources in the financial service segments. People still tend to associate with major sources like Personal knowledge (own decision). Advertisement (all Print, audio – video media), apart from this, people especially take decision with people's experiences as well as experts of the respective field, hence they consider Investment consultant, Friends and relatives recommendation as effective information of source of awareness. It can be noted from the Table 3 that 30% of the respondents are aware about Mutual funds by investment consultants advice. This is followed by 28% of the respondents getting awareness, who were influenced by friend's suggestion and previous experiences. 23% of them are saying that advertisement is a big source of awareness. On the other hand, a very meager (19%) percentage of the respondents feel and consider that personal knowledge (own decisions) is the best information source for futuristic investment.

Table 3: Source of Awareness

Opinion	No. of the respondents	Percentage
Personal knowledge	19	19
Investment consultant	30	30
Advertisement	23	23
Friends suggestions	28	28
TOTAL	100	100

PURPOSE OF INVESTMENT IN MUTUAL FUND

An attempt was made to assess the purpose of investment in mutual fund from the public who reside at Coimbatore city (table 4). The received information indicates that majority of the respondents (31%) maintain investment in mutual fund to meet future expenses like children's education, marriage, land and building purchase. Regular return was cited by 29% of the people. Another 15% and 10% of the respondents point out that the purpose of investment was safety and just one type of diversified investment.

Table-4: Purpose of Investment

Opinion	No. of the respondents	Percentage
Regular return	29	29
Safety	15	15
Capital appreciation	10	10
Meet future expenses	31	31
Diversified investment	15	15
TOTAL	100	100

INVESTMENT OPTION OF THE RESPONDENTS

In the following table an attempt was made to analyze the consumers expected investment option in the mutual fund. For this purpose, the study was conducted with two major investment options, the opinion of the consumers' investment option was analyzed by simple percentage analysis based on their priority. Greater part of the investors are choosing Mutual Fund for timely return of extra money (bonus, share or profit of the investment) as well as

growth opportunity and long term augmentation but it may vary from country to country or depends upon other investment factors or economic status. Because of the above reasons, 71% of the respondents of our study preferred the dividend option and 29% of the respondents opted for the growth option.

Table 5: Investment Option

Option	No. of the respondents	Percentage
Dividend	71	71
Growth	29	29
TOTAL	100	100

RESPONDENTS PREFERRED MUTUAL FUND TYPES

An attempt was made to find out the preferred mutual fund of the selected sample, as it provides the reason for the choice of different fund types over other ordinary investments. Hence, questions were framed to study their preference in mutual funds and the selected respondents were asked to fill the in the questionnaires. Respondents who preferred mutual fund types were classified into two three categories (1) Balanced fund, (2) Equity fund and (3) Debt fund. We are sure that preference rate may vary to each and every public so that table 6 inferred that 49% of the respondents preferred to invest in equity fund, 27% of the respondents invested in debt fund and 24% of the respondents invested in balanced fund.

Table 6:Investment Types

Types	No. of the respondents	Percentage
Balanced fund	24	24
Equity fund	49	49
Debt fund	27	27
TOTAL	100	100

CRITERIA FOR CHOOSING PREFERRED MUTUAL FUNDS

Specifically in Financial services Credit rating, Economic scenario, financial soundness and market value are having major impact on the respondents buying behaviors well as we hope that some other factor may slightly influence each and every individual investor. It could be observed from the above table 7 that 34% of the respondents prefer right type of Mutual funds with the help of respective companies' market value. 33% of the investors use financial soundness of a particular company as well as respective business sector. 10 % of them consider that economic scenario of the country, sector, and company as best criterion for choosing proffered mutual funds and rest of the 23% of the respondent feels that credit rating method is a criterion for choosing the mutual fund.

Table 7: Criteria for Choosing preferred MF

Opinion	No. of the respondents	Percentage
Credit rating	23	23
Economic scenario	10	10
Financial soundness	33	33
Market value	34	34
TOTAL	100	100

PERCENTAGE OF INCOME INVESTED IN MUTUAL FUNDS

An attempt was made to know the percentage of income invested in Mutual funds (Table8). The analysis indicates that 59% of the respondents opines every year they are spending less than 10% per month in financial services specifically in Mutual funds, 26% of the investors are allocating 10%-30 % of their monthly income, 13% of the respondents are spending 30%-50% of the monthly income and only meager (2%) of the investors are spending more than 50 % of their monthly income in mutual fund savings a 1 returns. From this we could observe that investment and earning awareness among public is increasing day by day. Nevertheless maximum investment in mutual fund is low because people are getting aware of different types of investment like banks, postal savings, share trading, gold and silver trading (commodity trading, Local fund management & etc.

Table 8: Percentage of Income Investment in MF

Opinion	No. of the respondents	Percentage
Less than 10 %	59	59
10 % to 30 %	26	26
30% to 50%	13	13
More than 50%	2	2
TOTAL	100	100

CONSUMERS PREFERRED MUTUAL FUND COMPANIES

An attempt was made to assess consumer expected and preferred mutual fund companies among other top best mutual funds (table 9). The received information indicates that most of the respondents voted & preferred Franklin Templeton as it was indicated by 35% of respondents in the sample. Kotak was preferred by 20% of the respondents. Another 11% pointed out the SBI infrastructure and only a meager of investors voted and preferred HDFC MF and DSPML.

Table 9: Most Preferred Mutual Fund Companies

Opinion	No. of the respondents	Percentage
Franklin Templeton	35	35
HDFC MF	8	8
Reliance	10	10
DSPML	8	8
Kotak	20	20
SBI infrastructure	11	11
TOTAL	100	100

RELATIONSHIP BETWEEN INVESTMENT REASON AND INVESTMENT AMOUNT

Null hypothesis (Ho): There is no significant relationship between the investment reason and Investment amount.

Alternative hypothesis (Ha): There is a significant relationship between the investment reasons and investment amount.

Table-10: Relationship between Investment Reason and Investment amount

Particulars/month	Safety	Return	Liquidity	Tax	Total
Rs.5, 000 to 10,000	4	2	0	0	6
Rs.10, 000 toRs.30, 000	6	25	3	0	34
Rs.30, 000 toRs.50, 000	2	22	0	2	26
Above Rs.50, 000	4	18	0	12	34
Total	16	67	3	14	100

Chi-square test = $\Sigma (O-E)^2 / E$

Degree of freedom = (c-1) (r-1) = (4-1) (4-1) =9

Calculation value=55.7548

Table value of chi-square at 5% for 9 degree of freedom =16.919

INTERPRETATION

The table value is less than the calculated value. Therefore null hypothesis is rejected. So there is a relationship between investment amount and investment reason.

SATISFACTION LEVEL OF MUTUAL FUND INVESTMENT

Table-11: Satisfaction Level of Mutual Fund Investment

Factors	H.S	S	No Idea	DS	H.D.S	No. Of Res	Total weight	Mean
Rate of Return	0(0)	252(63)	0(0)	74(37)	0(0)	100	326	3.26
Liquidity	40(8)	280(70)	60(20)	4(2)	0(0)	100	384	3.84
Safety	165(33)	236(59)	0(0)	14(7)	1(1)	100	416	4.16
Tax Consideration	100(20)	192(48)	69(230)	6(3)	6(6)	100	373	3.73
Capital gain	155(31)	220(55)	12(4)	14(7)	3(3)	100	404	4.04
Advertisement	175(52)	232(58)	3(1)	8(4)	2(2)	100	420	4.20

Factor's Satisfaction ,

FACTORS	Highly satisfied	Satisfied	No Idea	Dissatisfied	Highly Dissatisfied
VALUE	5	4	3	2	1

INTERPRETATION:

From the above table it is clear that Advertisement gets the first rank, Safety gets the second rank, Capital gain gets the third rank, Liquidity gets the fourth rank, Tax consideration gets the fifth rank, Return got the last rank.

FINDINGS

1. The studies reveals that Most of the respondent's age is 25-35 years and we could observe that Middle aged people (between 25 -35) have a lot of interest and more investment in mutual funds as it was indicated by 46% of the respondents in the sample.
2. The study disclosed that 48% of the respondents earn monthly income from their own business and profession. And 30% of the Respondents annual income falls between 1,20,000 to 2,40,000.
3. The studies reveal that 30% of the respondents are aware about Mutual funds by investment consultant's advice and recommendation.
4. The received information indicates that majority of the respondents (31%) maintain investment in mutual fund to meet future expenses like children's education, marriage, land and building purchase & etc.
5. The study unfolds that most of the respondent's investment option is dividend and 49% of the respondents preferred to invest in equity fund than the debt and balanced fund.
6. The analysis indicates that 34% of the respondents preferring right type of Mutual funds with help of respective companies' market value and Majority of the respondents (59%) opines that every year they are spending less than 10% per month in Mutual fund.
7. A significant revelation of the study is that there is a relationship between investment reason and investment amount. And it is clear that Advertisement gets the first rank than the other satisfaction factors.

SUGGESTIONS

1. Mutual fund companies should motivate financial consultants or other word of mouth sources and they have to act as catalysts.
2. The company should provide details of New Fund Offer (NFO) to its customers.
3. Success of Mutual fund business also depends on 5Ps of classic marketing mix. It will be represented by addressing intangibilization into tangible nature (physical evidence), effective personnel's service (people), Quick and honesty in processing (process), Punctuality in attending customers and performance management (respecting and valuating the customers).

CONCLUSION

Understanding the investors and marketing of Mutual funds in India will be more challenging than understanding consumer behavior of industrial products because of the changing economic scenario, revised regulatory regime and geographic factors and etc. However India has seen the private mutual fund industry growth more than ten folds since 1997. The mutual fund Investment is giving more return to their Investors meanwhile that does not gives assured returns. Therefore investors should take investment decision in two ways- one is comparing the risk and expected yields and another way is sound planning, experts advices on the marketing of mutual funds. Finally it will be beneficial to both the investors as well as the mutual fund marketers.

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