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A Study About The Awareness Level Of Mutual Fund Investment Among Investors

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Abstract:

Mutual Funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. The Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. Monthly Income Plan funds offer monthly returns and invest majorly in debt oriented instruments with little exposure to equity.In this study, it is discussed about the mutual fund awareness level among the investors. For analysing the impact of knowledge and awareness of mutual fund done through SPSS, one way ANOVA analysis has been made. Hence, this study is made to evaluate the knowledge, general and variable effects about the investors' perception and performance of investment avenues.

Keywords: Mutual Fund, Investors, awareness, knowledge, Returns & Risk,

Introduction:

The present situation is of innovative investment. Investor are suitable for innovative investment as well as more attentive for cashless transactions, online banking, online shopping, online investment etc, feeling autonomous for Investment related matters. In related to investment previously Bank saving as well as saving account, Public Provident Fund through bank and post offices was the most suitable options for the investors. But now investors are more informative as compare to previously and investing in different areas for diversification of their investment. In the present situation mutual fund investment are the important investment methods as compared to other options. Through mutual fund investment, we can get the indirect communication with capital market. The mutual funds can be choosing on the basis of different preferences like investor age, investor financial situation, investor risk capacity and what short of return investor looking from mutual fund

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investment. Mutual Funds gives high liquidity, managed by professionals, provides ELSS (Equity Linked Saving Schemes) tax saving with investment. Investor can get huge returns and having choice of different schemes as per the requirements as well fulfilment of their financial goals. This research presents Investors' attitude for Mutual Funds Investment.

The Indian Mutual fund industry has witnessed considerable growth since its inception in 1963. The impressive growth in the Indian Mutual fund industry in recent years can largely be attributed to various factors such as rising household savings, comprehensive regulatory framework, favourable tax policies, and introduction of several new products, investor education campaign and role of distributors.

The concept of Mutual funds has been on the financial landscape for long in a primitive form. The story of 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. The launching of innovative schemes in India has been rather slow due to prevailing investment psychology and infrastructural inadequacies. Risk averse investors are interested in schemes with tolerable capital risk and return over bank deposit, which has restricted the launching of more risky products in the Indian Capital market. But this objective of the Mutual Fund industry has changed over the decades. For many years funds were more of a service than a product, the service being professional money management. In the last 15 years Mutual funds have evolved to be a product. A competent fund manager should analyse investor behaviour and understand their needs and expectations, to gear up the performance to meet investor requirements. It is the time for mutual fund companies to understand the fund selection/ switching behaviour of the investors' and to design the fund schemes according to the changing needs of consumer, otherwise survival of funds will be difficult in future. The present study made efforts in this regard to suggest ways to penetrate this mode of investment deep in Indian society it also provides the information that what present investor expects.

Mutual Funds have become a widely popular and effective way for investors to participate in financial markets in an easy, low-cost fashion, while muting risk characteristics by spreading the investment across different types of securities, also known as diversification. It can play a central role in an individual's investment strategy. They offer the potential for capital growth and income through investment performance, dividends and distributions under the guidance of a portfolio manager who makes investment decisions on behalf of mutual fund unit holders. Over the past decade, mutual funds have increasingly become the investor's vehicle

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of choice for long-term investment. It becomes pertinent to study the performance of the mutual fund. The relation between risk-return determines the performance of a mutual fund scheme. As risk is commensurate with return, therefore, providing maximum return on the investment made within the acceptable associated risk level helps in segregating the better performers from the laggards. Many asset management companies are working in India, so it is necessary to study the performance of it which may be useful for the investors to select the right mutual fund.

In financial markets, "expectations" of the investors play a vital role. They influence the price of the securities; the volume traded and determines quite a lot of things in actual practice. These 'expectations' of the investors are influenced by their "perception" and humans generally relate perception to action. We find ample proof for the wide prevalence of such a psychological state among Mutual Fund (MF) investors in India.

Review of literature:

Lenard et. al. (2003) empirically investigated investor"s attitudes toward mutual funds. The results indicate that the decision to switch funds within a fund family is affected by investor"s attitude towards risk, current asset allocation, investment losses, investment mix, capital base of the fund age, initial fund performance, investment mix, fund and portfolio diversification. The study reported that these factors are crucial to be considered before switching funds regardless of whether they invest in non-employer plans or in both employer and non-employer plans.

Ronald T. Wilcox (2003)examined how investors choose a mutual fund and found that investors pay a great attention to past performance and also indicated that the educated investors demonstrated greater knowledge of basic finance made poorer, not better, decisions than their less financially savvy.

Paula A. Tkac (2004) found that investors are irrational or in some other sense cannot look out for their own best interests. Mutual fund industry provides a variety of products and price structures to heterogeneous consumer preferences and budgets. Consumer who prefer more style, features or power willingly pay higher prices and the investor rely on and pay to the financial advisors or brokers for processing and formulating guidance regarding fund allocation. They are facing risk because of misconduct by advisory firms. They are not

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demanding any disclosures of their fund. The risks reduced to zero if investors are willing to pay with their own time and energy to monitor their fund position

J.Lilly and DrAnasuya(2014) published a research paper "An empirical study of performance evaluation of selected ELSS mutual fund schemes" which examined the performance of 49 selected tax saving elss schemes by applying Sharpe ratio, Treynor ratio, Sortino ratio and Jensen's alpha measure and found out LIC NOMURA MF GROWTH and dividend schemes has the highest return and are risk borne when compared to other schemes.

Lonnie L. Bryant,Hao-Chen liu (2011)published a research paper "Mutual fund industry management structure, risk and the impacts to share holders" published on investigates the effects of a multiple fund management structure on the risk volatility of the funds managed with the help of Sharpe ratio .They found out the impacts that mutual fund management structure has in fund risk volatility using a sample of 1480 funds managed by 407 managers.They also found out that the multiple fund management structure appears to be motivated by the need to achieve economies ofscale and reduce cost of the shareholders, fund managers which are driven by strategic reason.

D. Rajasekar (2013) The study was conducted with a sample size of 150 respondent by using the statistical tools like percentage analysis, chi square, weighted average, with an objective to know about the investor's perception on their profile, income, savings pattern, investment patterns and their personality criteria. The study was concluded by taking into consideration various parameters involved in investors decision making keeping in mind investors perception towards mutual fund investment.

Vipin Kumar &Preeti Bansal (2014) this research paper has focused attention on various parameters that highlights investor's perception on mutual funds. It was studied that the scheme of mutual fund investment were not known to many of the investors as still the investors rely upon the traditional pattern of investments like investment in banks and investment in postal savings. As most of the mutual fund investors used to invest in mutual fund for not more than three years and used to quit from the fund as they were not giving desired result as stated in the objective during inception of mutual fund scheme. It was also found from the research that maximum number of mutual fund investor's has to depend upon their brokers and agent to invest in mutual fund.

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Subramanya PR (2015) The research has been studied on socio economic factors like age, gender, education income and savings of investor's perception towards mutual fund is not encouraging but the age of investor's and saving habit of the respondent is closely correlated.

Mukesh. H. V. (2015) had studied investor's perception on mutual fund for return, tax benefit and capital appreciation, but most of the investors lack awareness about mutual funds and their various schemes like, SIP (Systematic Investment Plan). Hence, it becomes necessary to create awareness among the investors through conducting seminars, workshops on financial market and published data like newspaper, magazines and journals

Objectives:

1. To evaluate the awareness level about the mutual fund among investors
2. To know the relationship between occupation of investors and the time holding of investment in mutual fund

Research methodology:

The basic design of survey instrument consists of structured questionnaires. It is so designed to collect all required information from investors of mutual funds. Based on their knowledge, information source and investment decision factors related to their selection of a particular scheme fund.The sample size consists of 363 respondents. The respondents are segregated on the basis of different variables such as income, age, occupation gender. Samples collected from Thrissur District.

Data analysis and Interpretation:

- *Awareness level about mutual funds*

  Hypothesis 1:-

  Ho – There is no significant difference between the investors' age and the awareness about mutual fund.

  H1 – There is significant difference between the investors' age and the awareness about mutual fund.

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Table No 1

The Investors' Age And Awareness About Mutual Fund.

ONE WAY ANOVA TEST				
	Sum of squares	Degree of freedom	Meansquare	F
Between Groups	0.985	3.00	0.328	1.316
Within Groups	73.895	296.00	0.250	
Total	74.880	299		
SIGNIFICANT VALUE: 0.541				

Inference:-

The above table communicates the result with regarding to the calculated value of "F" test. The calculated "F" value is less than the tabulated value at 5% level of significance for v1 = 3, and V2 = 296 degrees of freedom. Hence, the null hypothesis is rejected and alternative hypothesis is accepted. It is proven from the analysis that there is a significant difference between the age of the respondents and awareness about mutual fund

Hypothesis 2:-

Ho – There is no significant difference between the investors' income group and the knowledge level about mutual fund.

H1 – There is significant difference between the investors' income group and the knowledge level about mutual fund.

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Table No 2:

Income group and the knowledge level about mutual fund.

ONE WAY ANOVA TEST				
	Sum of squares	Degree of freedom	Meansquare	F
Between Groups	0.54	3.00	0.181	0.72
Within Groups	74.34	296.00	0.251	
Total	74.880	299		
SIGNIFICANT VALUE: 0.269				

The above table communicates the result with regarding to the calculated value of "F" test. The calculated "F" value is less than the tabulated value at 5% level of significance for v1 = 3, and V2 = 296 degrees of freedom. Hence, the null hypothesis is accepted and alternative hypothesis is rejected. There is a least significant difference between the means of the income group of investors and the awareness level.

- *Relationship between occupation of investors and the time holding of investment in mutual fund*

Time of holding investments

Table 3

Particulars	**Frequency**	**Percentage**	**Cumulative percentage**
Less than 1 year	50	13.8	13.8
1 – 3 Years	201	55.4	69.1
4 – 6 years	76	20.9	90.1
7 – 9 years	28	7.7	97.8
More than 10 Years	8	2.2	100.0
Total	363	100	

As the tests revels that 69.1% investor prefer to hold the investment in mutual fund for one – three year period, 20.9% for four – six year period. So it can be concluded that about 90% investor hold their investment for not less than six years.

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Correlation between Time of holding Investment and Occupation of Investor

Table 4

		Time of holding Investment	Occupation
Time of holding Investment	Pearson Correlation	1.000	0.313
	Sig. (2-tailed)	-	0.000
	N	363	363
Occupation	Pearson Correlation	.313	1.000
	Sig. (2-tailed)	0.000	-
	N	363	363

Table 4, shows that there is significant relationship in time of fund holding pattern of investor and occupation, $r(363) = 0.147, p < 0.05$.

Findings:

The respondents' awareness level shows that many people have knowledge about Growth and Income Schemes rather than Balanced and Dividend Schemes. There is a least significant difference between the means of the income group of investors and the awareness level. There is a significant difference between the age of the respondents and awareness about mutual fund. There is significant relationship in time of fund holding pattern of investor and occupation.

Conclusion:

Mutual fund companies should come forward with full support for the investors in terms of advisory services, participation of investor in portfolio design, ensure full disclosure of related information to investor, proper consultancy should be given by mutual fund companies to the investors in understanding terms and conditions of different mutual fund schemes, such type of fund designing should be promoted that will ensure to satisfy needs of investors, mutual fund information should be published in investor friendly language and style, proper system to educate investors should be developed by mutual fund companies to analyse risk in investments made by them, etc. On the other it is required from government and regulatory bodies point of view that more laws should be there to secure the funds of investors to be exploited, more tax rebate should be given on mutual fund investment, proper and effective grievance system, right of investor education, and more control on asset management companies should be there.

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