

## Awareness and Preference of Investors towards Mutual Funds

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### INTRODUCTION

Investment planning is necessary for all individuals to achieve their financial goals. People have to plan their resources to avail the maximum benefit out of them. People plan their investment to full their major needs like financial protection, career planning, assets purchase, children's education, marriage or retirement planning.

There are various investments options for various people. For the risk-averse people, there is savings a/c in banks, fixed deposit in banks, post office schemes. For the brave it is dabbling in the stock market. Stock market provides an option to invest in a high risk, high return game. However, an enticing as it might appear, people generally are clueless as to how the stock market functions and in the process can endangered their hand-earned money.

For those who are not adapt at understanding the stock market, the task of generating superior returns at similar levels of risk is arduous to say the least. This is where mutual funds come in to picture.

### STATEMENT OF PROBLEM

The mutual fund industry in India began with the setting up of the unit trust of India (UTI) in 1964 by the Government of India. In 1987 public sector banks and insurance companies where permitted to setup mutual funds and accordingly since 1987, 6 public sector banks have setup mutual banks. Also 2 insurance companies like LIC and GIC established mutual funds. SEBI formulated the mutual fund (Regulations) in 1993, which for the first time established a comprehensive regulatory framework for the mutual fund industry.

The project has been undertaken to find out the reasons as to why potential customers in Coimbatore have chosen mutual funds as an investment option. The project involves assessing the awareness level and preference among investors in the city of Coimbatore about mutual funds as an investment option.

### SCOPE OF MUTUAL FUND

An article that was published in **FUND MANAGER** November 2000 has given retail investor information in which **MR.VIVEK REDDY CEO, KOTHARI PIONEER** says "mutual funds are goods vehicles for investors seeking to achieve long term goods. A short term orientation can be very expensive in the future and investors should invest on a regular basis in a quality diversified portfolio in order to derive optimum benefits".

In an article in **INVESTIME** February 2001, **MR.NIKHIL KAATAU, CEO of SUN F&C** says there is going to be a number of critical element to success in the Indian mutual fund

industry. The first will be whether or not the industry can develop and maintain a reputation for integrity and develop overtime. A positive image will be significantly aided by competition which will encourage transparency and by sound regulations from SEBI and the RBI. The mutual fund industry whilst young should endeavour to try and be scandal-free by comparison. The greatest single assets can look towards would be the trust an investor puts on to the industry and this is the greatest area of risk and the greatest area of reward for the industry as we move into the future".

In a question and answer session, **A.N.SHANBAG** said, no distribution tax to be levied in respect of any income distributed to unit holders of open-ended equity oriented funds for a period of one year commencing from 1.4.2003. This exemption will continue without any time limit. This is applicable retrospectively from 1.4.2004. This is the one and only redeeming feature of mutual funds in the budget.

**RAVI MEHROTRA, PRESIDENT OF FRANKILN TEMPLETON ASSEST MANAGEMENT (INDIA) PVT LTD** said that, mutual funds as an investment option are growing in popularity in smaller cities and towns in the country, signalling that investors outside metros have also started to look beyond bank deposits. "The top 6-7 cities in India today account for 70-80% of mutual fund assests and the rests by others. But the smaller cities are growing much faster. He said that appetite for mutual funds growing in Koch Mysore, Surat and Ludhiana an awareness about alternative investment increases and companies had more service networks and points of presence across the country. Intrests rates on bank fixed deposits have come down to 5-6% from 10-11% around 3 years ago. Many banks have started distributing mutual fund schemes, and this step too contributed to the growth of the industry in smaller cities.

In an interview, on July 20, 2004 **AJAY BAGGA, CEO-KOTAK MAHINDRA ASSET MANAGEMENT CO.LTD.** Said tax is not the only advantage offered by mutual funds. They bring in expertise, economies of scale and disciplined approach to investing. In nearly all markets, retail investors rarely make money of their own, as markets are driven by fear and greed rather than a disciplined approach. In that perspective, I would still recommended mutual funds as an investments average over direct trading.

In an interview, on September 21, 1999 **MR.SRINIVASAN, PRUDENTIAL ICICI** Said, "The budget this year gave the mutual funds a place in the capital market it deserves. Mutual funds have been performing well since 1996, have introduced new products and have become more transparent and the tax intensives announced in the 1999 budget made mutual fund an investment option has become more attractive".

During the speech session on February 19, 2000 **MR.N.K.SHARMA, BIRLAMUTUAL FUND** said, "mutual funds are being perceived as a complete service provider for the investment public. The stature of mutual funds has been going among the professional investors in recent times unlike earlier times when mutual funds were associated with risk today mutual fund are considered to be vehicles for risk control and the entire focus has been on this theme. Also, as regards risk, the investing community has begun to realize that even debt carried nominal risk.

In an interview on October 25, 2000 **SHYAM BHAT, TATA MUTUAL FUND** said. "By now the awareness level in investors about what a mutual fund has increased significantly and comparison returns from mutual funds and stocks is a thing of past. I feel that in future the inflows in mutual funds will drive by consistency in performance and if a fund's track record is good the investor will invest in the mutual funds.

**RAJAT JAIN, CIO, PRINCIPAL MUTUAL FUNDS** in an interview on 19 July, 2003 said, over the last four years, the mutual fund industry has been selling its product quite well. The industry has been selling its product quite well. The industry has been very innovative, with with the customers driving innovation in the industry. Mutual funds, if managed well and sold well, offer a great value proposition to investors. They offer investors high liquidity, high returns (most of the time) and more transparency, in addition to being tax efficient. Actually people should have come into mutual funds with all these factors working in their favour, but it has not yet happened. The caveat here is that mutual fund products should be sold rightly to the investors".

On February 21, 2000 **Mr. Prakash Dalal, Vice-President & Chief Marketing Officer of Kotak Mahindra Assets Management Company** said, "SEBI has adopted a very pragmatic and positive attitude towards the mutual fund industry without compromising on investor interest. Its attitude has been confident, firm and proactive in all respects".

**THE HINDU, BUSINESS LINE, DATE: 04/07/2004** In this budget wish-list, the mutual fund industry has mooted exemption from dividend distribution tax for equity funds, a cut in the small savings rate and a provision allowing mutual funds to qualify as eligible investments for exemption from capital gains tax.

**OBJECTIVES**

**Broad Objectives**

- ✓ To find out the awareness and preference level with reference to mutual funds among potential investors in Coimbatore city.

**Specific Objectives**

- ✓ To find out whether people are familiar with mutual funds.
- ✓ To determine the attitude of people towards mutual funds as a possible investment opportunity.
- ✓ To find out the criteria those are considered while investing by the investor.
- ✓ To know the reason why potential investors have preferred mutual funds as their investment pattern.

- ✓ To study the reason as to why there is a hesitance to invest their mutual funds.

**ANALYSIS**

**Table and Interpretation**

Particulars	No. of Respondents	Percentage
<b>GENDER</b>		
MALE	30	50
FEMALE	30	50
<b>MARITAL STATUS</b>		
SINGLE	22	36.67
MARRIED	38	63.33
<b>AGE</b>		
25-40	44	73.33
41-50	10	16.67
51-58	4	6.67
>58	2	3.33
<b>EDUCATION</b>		
HSC/SSLC	2	3.33
GRADUATE	19	31.67
POST GRADUATE	20	33.33
PROFESSIONAL QUALIFICATION	19	31.67
<b>OCCUPATION</b>		
SALARIED	33	55
PROFESSIONAL	13	21.67
BUSINESS	11	18.33
RETIRED	3	5
<b>MONTHLY INCOME</b>		
LESS THAN RS.5,000	12	20
RS.5,000-RS.10,000	22	36.67
ABOVE RS.10,000	26	43.33
<b>INTEREST</b>		
YES	60	100
NO	NIL	NIL
<b>PERCENTAGE OF INCOME</b>		
LESS THAN 10%	18	30
10%-25%	35	58.33
25%-50%	7	11.67
ABOVE 50%	NIL	NIL
<b>INVESTMENT HORIZON</b>		
UP TO 3 YEARS	19	31.67
3-5 YEARS	27	45
ABOVE 5 YEARS	14	23.33
<b>FACTORS CONSIDERED</b>		
SECURITY OF CAPITAL	20	33.33
STEADY INCOME	23	38.33
JUST WANT MONEY TO GROW	2	3.33
GROWTH AND INCOME	14	23.34
AGGRESSIVE	1	1.67

GROWTH		
<b>RETURNS AND DIVIDENDS</b>		
MONTHLY RETURNS AND DIVIDENDS	17	28.33
QUARTERLY RETURNS AND DIVIDENDS	15	25
CUMMULATIVE RETURNS AND DIVIDENDS	13	21.67
CAPITAL APPRECIATION	15	25
<b>AWARENESS LEVEL</b>		
AWARE	53	88.33
NOT AWARE	7	11.67
<b>MEANS</b>		
ADVERTISEMENT	40	75.47
FRIENDS AND RELATIVES	6	11.32
AGENTS/BROKERS	6	11.32
OTHERS	1	1.89
<b>INVESTORS AND PREFERENCE</b>		
INVESTED	47	78.33
NOT INVESTED	13	21.67
<b>FACTORS CONSIDERED</b>		
DIVERSIFICATION	11	23.41
POTENTIAL OF RETURNS	12	25.54
LIQUIDITY	7	14.89
WELL REGULATED	2	4.25

TAX BENIFITS	13	27.66
TRANSPARENCY	2	4.25
<b>REASONS</b>		
NO FIXED RETURNS	7	53.85
NO SECURITY	6	46.15
OTHERS	NIL	NIL
<b>RECOMMEND</b>		
YES	40	76.92
NO	12	23.08
<b>INVESTORS PREFERENCE</b>		
YES	10	76.92
NO	3	23.08

### SUGGESTION

The Mutual fund industry is a service industry catering to the investment needs of the people. The study was conducted to make an analysis and preference of investors towards mutual funds.

It has been found that majority of the respondents are aware of mutual funds and preferred to invest in mutual funds. The people also seem to be more interested and recommending its investment to others. The people who do not have in depth knowledge about mutual funds.

Tax benefit is considered as the important factors by the respondents while investing. Moreover the respondents also prefer a steady income. The risk adverse investors prefer to invest for around 3-5 years on an average.

### CONCLUSION

Thus from the study it was possible to find that when investors are properly educated and instilled confidence the scope for mutual funds can be widened in the future.

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