A STUDY ON STATUS OF AWARENESS AMONG MUTUAL FUND INVESTORS IN TAMILNADU

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ABSTRACT

Mutual funds have become an important intermediary between households and financial markets, particularly the equity market. By providing liquid, low cost shares in a diversified portfolio of financial assets selected by professional money managers, mutual funds have enabled an increasing number of households to enter financial markets and the diversified investment structure of mutual funds and diversified risk contributed tremendously in the growth of mutual funds. It is important to study the awareness of mutual fund among the investors.

INTRODUCTION

The Indian capital market has grown so sharply in the 80's that the decade itself has been christened as a decade of the capital market. More particularly, during the later part of the eighties, the primary and the secondary markets have grown by leaps and bounds. The increasing volatility in the market has also motivated the investors to invest in another relatively safe vehicle of investment. Earlier investors used to invest directly in the stock market and many times suffered from loss due to wrong speculation. But in the recent days most of the investors preferred to invest their funds on mutual funds. A lot of variants to standard mutual funds have come and the investment companies continually introduced new types of investment schemes in an effort to attract investor's capital and maximize assets under management.

Since 1990, total mutual fund assets have increased nearly sevenfold, and the assets of mutual funds that invest in stocks have grown even more, expanding nearly twentyfold. Over the same period, mutual fund assets have come to account for a larger share of household wealth. Moreover, a greater proportion of Indian households now own stock, in large part because of their investments in mutual funds. Much of this growth has come in households' retirement assets, as developments in pension plans and other tax preferred retirement accounts have increasingly made it possible for households to control more of their retirement asset portfolios and households have tended to invest a significant portion of their retirement assets in mutual funds.

NEED FOR THE STUDY

Stock market plays a very vital role in developing economy in India. It is also attracting the many people in recent years. Investors usually perceive that all capital market investment avenues are risky. Based on objectives and risk bearing capacities, investors go for different investment alternatives. Among the various investment possibilities, mutual fund (MF) seems to be viable for all kind of investors as it is considered to be a safer mode of investment. As the mutual fund industry provides an option of diversified investment structure with varying degree of risk, it was supposed to be the most lucrative market for Indian investors.

It was believed that as against the developed countries where almost every second investor is a mutual unit holder, the product could not get much popularity in India. As of now big challenge for the MF industry is to mount on investor awareness and to spread further to the semi-urban and rural areas. These initiatives would help towards making the MF industry more vibrant and competitive. Since, the need of study has been aroused in order to see the preference, awareness and the investors' perception

regarding the mutual funds in Tamilnadu, this study is an eye-opener, not just for marketers of mutual funds but also for policy and decision-makers in the government.

STATEMENT OF PROBLEM

The investors who invest in growth or equity schemes consider it as an alternative to stock market investing and the investors who invest in debt schemes expect higher returns on their investments than returns on nationalized banks' fixed deposits. The investors expect higher returns and get dissatisfied when they don't receive the expected returns. The NAV of the mutual fund scheme gets discounted on debiting the front-ended load of issue expenses after closure, further discounted on listing and continue to decline on trading due to poor demand for such units due to the poor sentiments of the investors. Another one biggest risk of investing in a mutual fund is one of underperformance. When an investor decides to invest in a particular asset class, he typically expects to get the return that the benchmark of the asset provides. Mutual funds try to maximise the returns on the funds invested through them but all of the funds cannot succeed an outperforming each other or the benchmark.

OBJECTIVES OF THE STUDY

The present study was based on the following objectives

1. To analyze the investors awareness regarding mutual fund investment
2. To measure the investors' level of satisfaction towards mutual fund investment

Hypothesis

Based on the objectives, the followings null hypothesis was framed for this study:

Ho1: There is no significant relationship between demographic characteristics of the respondents and their level of awareness about mutual fund investments.

RESEARCH METHODOLOGY

The research design for the study is descriptive in nature. The present study attempts to evaluate the investor's awareness and satisfaction towards the mutual fund investments. For the purpose, individual mutual funds investors have been selected. The individual investors' awareness and satisfaction has been confined to the only selected districts of Tamil Nadu.

SAMPLING DESIGN

The sample size covered 500 investors of Tamil Nadu who were spread through five different districts namely Cuddalore, Coimbatore, Chennai, Madurai and Trichy districts of Tamil Nadu. These districts where large numbers of MFs investors are available are identified for this study using Purposive Sampling Method. In order to collect referred information from the retail investors, the sampling design was carefully decided and properly chosen for the study. From each identified districts, five approved brokers of were chosen and twenty MF investors were contacted with the help of brokers. Thus, this study was based on the responses by 500 selected respondents.

COLLECTION OF DATA

The researcher was used survey method for data collection. This study gathered the desired data through primary sources. Primary data were collected through a structured questionnaire from the retail investors living in selected districts of Tamil Nadu and invested in MF schemes.

PERIOD OF THE STUDY

The researcher collected the required primary data from the selected respondents during period from June 2012 to Dec. 2012.

TOOLS FOR ANALYSIS

The collected primary data were analyzed by applying various statistical tools such as descriptive statistics like simple percentages, cross-tabulation, and Chi-square tests have been used. The chi-square test

has been adopted to examine the association between the personal and family factors with the level of awareness.

Demographic Profile of the Respondents

Table – 1 Demographic Profile of the Respondents

Personal Variables		No. of Respondents	%
Gender	Male	357	71.40
	Female	143	28.60
Age (in years)	Up to 30	58	11.60
	31- 40	145	29.00
	41-50	210	42.00
	Above 50	87	17.40
Education status	School Final	54	10.80
	Graduate	124	24.80
	Post Graduate	197	39.40
	Professional degree	81	16.20
	Diploma and others	44	8.80
Monthly Family Income (in Rs)	Upto 10000	79	15.80
	10001-20000	191	38.20
	20001-30000	169	33.80
	Above 30000	61	12.20
Occupation	Salaried	198	39.60
	Business	127	25.40
	Professionals	56	11.20
	Agriculturalist	34	6.80
	Retired	62	12.40
	Self employed and others	23	4.60
Family pattern	Nuclear family	348	69.60
	Joint family	152	30.40
Residence	Rural	129	25.80
	Semi urban	235	47.00
	Urban	136	27.20
Size of Family Members	1-2	77	15.40
	3-4	158	31.60
	5-6	179	35.80
	7 and above	86	17.20
Earning Members	One	156	31.20
	Two	198	39.60
	Three	79	15.80
	Four and above	67	13.40
	Total	500	100

Source: Primary Data.

Out of 500 respondents, 71.40 per cent are male and 28.60 per cent are female. The predominant age group of the respondents (42 per cent) in respondents groups is 41-50 years. A good majority of the remaining respondents are dispersed in the age group 31-40 years and above 50 years. 4.15 per cent of the respondents are dispersed in the age group of above 55 years. The predominant literacy group (39.40 per cent) of the respondents has post graduate. 24.80 per cent of the respondents have graduate qualifications. 16.20 per cent and 10.80 per cent of the respondents have studied professional degree and school final respectively. Majority of the respondents (38.20 per cent) have a monthly income in the range Rs. 10001-20000, and 33.80 per cent of the respondents have Rs. 20001-30000 as monthly income. 15.80 % and 12.20 per cent of the respondents have monthly income in the range upto Rs.10000 and above Rs.30000 respectively.

Out of 500 respondents, 39.60 per cent are employed, 25.40 per cent are business man, 11.20 per cent of the respondents are professionals, 12.40 per cent are retired persons and 6.80 per cent are agriculturalist. As regards to family pattern 69.60 per cent of the respondents are from nuclear family, 30.40 per cent are from joint family. As regards to area of residence, 25.80 per cent of the respondents are from rural, 47 per cent are from semi urban and 27.20 per cent of the respondents from urban area. 35.80 per cent of the respondents have 5 to 6 family members, about 31.60 per cent have 3 to 4 dependants, 15.40 per cent have 1 to 2 dependants, and 17.20 per cent of the respondents have 7 and above dependants. 39.60 per cent of the respondents have 2 earning members in their family, about 31.20 per cent of the respondents have only one earning member and 15.80 have 3 earning members, 13.40 per cent have 4 and more earning members in their family.

AWARENESS OF THE RESPONDENTS

In the competitive environment, the investees are providing a lot of features to customers. At the same time, the level of awareness of the investors is not up to the mark. Against this background, in this section an attempt has been made to investigate status of awareness among mutual fund investors about various types and schemes of mutual funds in the study area and the results of the evaluation are reported in Table 2

Table 2 Status of Awareness among Mutual Fund Investors

Sl. No.	Variables	Fully Aware		Somewhat Aware		Doubtful		Not Aware		Not at all aware	
		N	%	N	%	N	%	N	%	N	%
1	Rate of return	197	39.4	142	28.4	64	12.8	55	11.0	42	8.4
2	Liquidity	114	22.8	159	31.8	58	11.6	87	17.4	82	16.4
3	Safety and security	188	37.6	131	26.2	54	10.8	76	15.2	51	10.2
4	Tax Benefits	225	45.0	142	28.4	47	9.4	49	9.8	37	7.4
5	Capital gain	178	35.6	128	25.6	61	12.2	103	20.6	30	6.0
6	Growth prospects	69	13.8	98	19.6	57	11.4	164	32.8	112	22.4
7	Maturity period	172	34.4	136	27.2	94	18.8	53	10.6	45	9.0
8	Sources of information	219	43.8	133	26.6	52	10.4	62	12.4	34	6.8
9	Rules and regulations	186	37.2	115	23.0	65	13.0	84	16.8	50	10.0
10	Variety and schemes	201	40.2	129	25.8	72	14.4	52	10.4	46	9.2
11	Grievance handling	128	25.6	69	12.8	41	8.2	159	31.8	103	20.6
12	Options available	231	46.2	128	25.6	69	13.8	49	9.8	23	4.6
13	Fund Performance and Reputation	131	26.2	103	20.6	45	9.0	124	24.8	97	19.4
14	Risks in investment	239	47.8	185	37.0	26	5.2	32	6.4	18	3.6
15	Expert Guidance	89	17.8	72	14.4	32	6.4	149	29.8	158	31.6
16	Minimum capital required	229	45.8	146	29.2	42	8.4	62	12.4	21	4.2
17	Investor services	167	33.4	116	23.2	53	10.6	105	21.0	59	11.8
18	Sponsors' reputation	206	41.2	172	34.4	42	8.4	47	9.4	33	6.6
19	Disclosure of NAV	114	22.8	92	18.4	58	11.6	146	29.2	90	18.0
20	Rating given	136	27.2	124	24.8	78	15.6	71	14.2	91	18.2

| 21 | Skills of Fund Managers | 92 | 18.4 | 83 | 16.6 | 65 | 13.0 | 152 | 30.4 | 108 | 21.6 |
| 22 | Available Diversification | 131 | 26.2 | 135 | 27.0 | 61 | 12.2 | 92 | 18.4 | 81 | 16.2 |

Source: Primary data

The researcher has aggregated the fully aware and somewhat aware as aware and also aggregates the not aware & not at all aware, as not aware. It is observed from the Table -2 that more than half of the MF investors are found to be aware of Rate of return (67.8 %), Liquidity (54.6%), safety and security (63.8%), tax benefits (73.4%), capital gain (61.2%), maturity period (61.6%), sources of information (70.4%), rules and regulations (60.2%), variety and schemes (66 %), options available (71.8%), fund performance and reputation (46.8%), risks in investment(84.8%), minimum capital required (75%), investor services (56.6%), sponsors' reputation (75.6%), rating given (52%) and available diversification (53.2%). More number of investors is not aware about growth prospects (55.2%), grievance handling (52.4%), expert guidance (61.4%), disclosure of NAV (47.2%) and skills of fund managers (52%).

QUANTIFICATION OF DATA TO MEASURE THE AWARENESS LEVEL

A list of 22 statements relating to mutual fund investment is constructed. In this present study, the level of awareness has been measured with the help of scaling technique developed by researcher. The five point scale is used. 5 points have been assigned for fully aware, four points for somewhat aware, three points for Doubtful, two points for not aware and one point has been assigned for not at all aware. By adding scores, the extent of level of awareness has been measured.

Suppose a respondent has chosen 'Fully aware' for all the twenty two components, he/she will be given 110 score at the rate of five score for each component. Suppose the respondent chooses 'to somewhat aware" for all the twenty two components, he/she will be given 88 score at the rate of four score for each component. If the choice of the respondents for all the twenty two components is 'not at all aware,' he/she will get a score of 22 at the rate of one score for each component. Therefore the total maximum and minimum score would be 55,000 (110 x 500) and 11,000 (22 x 500) respectively.

LEVEL OF AWARENESS

The mean and standard deviation (SD) of the total awareness score of 500 respondents are computed. If the scores above (Mean + SD) are considered to be of high level of awareness, if scores below (Mean - SD) are treated as low level of awareness and the total scores between (Mean + SD) and (Means-SD) are treated as medium level of awareness. The total score is 46,640, Mean score is 93.28 and SD is 5.93. The respondents with awareness score above 99.21 (Mean + SD) are considered to be having high awareness, respondents with awareness score below 87.35 (Mean – SD) are considered to be having low awareness and the respondents whose awareness score is between 87.35 and 99.21 are assumed to be having medium levels of awareness about mutual fund and its' features. The different levels of awareness of the respondents are given in the following Table 3.

Table – 3 Respondents' Level of Awareness about Mutual Funds

Sl. No.	Level of Awareness	Total
1	High	289 (57.8)
2	Medium	174 (34.8)
3	Low	37 (7.4)
	Total	500

Source: Computed

It is seen from the Table 3 that out of 500 respondents, 289 have high awareness about MF investment. They occupy the largest proportion of the sample respondents. The respondents with medium level of awareness are 174 (34.8%) and the respondents with the low level of awareness are 37 (7.4%).

Association between Demographic Profile and Level of Awareness of the Respondents

The association between the profile of the respondents and their awareness on mutual funds and its features has been examined with the help of chi-square test. In order to measure the relationship between socio-economic characteristics and level of awareness of the respondents, the researcher has framed the following null hypothesis: "There is no significant association between the personal variables of respondents (such as age, gender, marital status, educational qualification, occupation, size of family, monthly income) and their awareness level on mutual fund investments.

Table 4 Investors' Satisfaction on Mutual fund investment

Factors	Level of Satisfaction (%)			Total
	Fully	Partly	Dissatisfi	
With Rate of return	56	32	12	100
With Liquidity	43	27	30	100
With Safety and security	62	29	9	100
With Tax Benefits	56	34	10	100
With Capital gain	42	24	34	100
With Growth prospects	34	21	45	100
With Maturity period	53	18	29	100
With Sources of information	68	21	11	100
With Rules and regulations	47	9	44	100
With Variety and schemes	55	19	26	100
With Grievance handling	34	13	53	100
With Options available	59	26	15	100
With Risks in investment	23	14	63	100
With Investor services	34	20	46	100
With Rating given	32	16	52	100
With Diversification	47	21	32	100
With Skills of Fund Managers	51	15	34	100
Overall	61	22	17	100

Source: Computed from primary data

It is observed from Table 5 that out of the 500 respondents, 61 % of the respondents were satisfied, 22% of the respondents were partially satisfied and 17 % of the respondents were dissatisfied with the investment in MFs in Tamil Nadu. It also reveals from the above table that out of the 500 sample respondents, 56%, 32 % and 12 % of the respondents were satisfied, partially satisfied and dissatisfied with rate of return from mutual funds.

Out of 500 sample respondents 62 per cent satisfied with safety and security, 56 per cent satisfied with tax benefits, 42 per cent satisfied with capital gain, 53 per cent satisfied with maturity period, 68 per cent satisfied with sources of information, 47 per cent satisfied with rules and regulations, 55 per cent satisfied with variety and schemes, 59 per cent satisfied with options available, 47 per cent satisfied with diversification, 51 per cent satisfied with skills of fund managers. Further, from Table --- it is observed that out of the 500 respondents, 45 per cent dissatisfied with growth prospects, 53 per cent dissatisfied with grievance handling, 63 per cent dissatisfied with risks in investment, 46 per cent dissatisfied with investor services and 52 per cent dissatisfied with rating given.

CONCLUSION

This study is very important in order to judge the investors' behaviour in a market like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies. The present study analyses the MF investments in relation to investor's level of awareness and satisfaction has been studied relating to various issues like factors that attract them to invest in mutual funds, rate of return, liquidity, safety and security, tax consideration, capital gain, growth prospects, role of financial advisors and brokers, maturity period, market information, rules and regulations and variety and schemes, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. The present investigation outlined that mostly the investors have high level awareness and positive approach towards investing in MF.

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