Mutual Funds Awareness and Preferences: a study with reference to Rayalaseema–A.P

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 Abstract

Growing country like India, Capital markets play a pivotal role in Economic growth and in the success of the industries. Among various products in the capital market, Mutual funds give high return with minimum risk. Even though a mutual fund having its own terms and conditions market volitization effect is low onit .The Present study is aimed to know mutual funds awareness in Rayalaseemaand also investor's preferences towards Mutual funds. Sample is size 342, Statistical tools, Manwhitny U test; Kruskalwalliswere employed for this study.

Keywords: Mutual funds,return,risk,Manwhitny U test and Kruskalwallis

Introduction

Still now there is no legal definition for mutual fund. The term is frequently applied only to those collective investments that are regulated and available to the general public. They are sometimes referred to as "investment companies" or "registered investment companies."Mutual Funds emerged for the first time in Netherlands in the18th century and then in Switzerland, Scotland and United States in the 19th century. In India, the mutual fund concept emerged in 1960. The credit goes to UTI for introducing the first mutual fund in India.

The Indian Mutual Fund has passed through three phases.

1) Phase-1: 1964 Between 1987- only player was the Unit Trust of India,

2) Phase-II :1987 Between 1993- 8 Funds were established (6 by banks and one each by LIC and GIC)

3) Phase-II Started in 1993 : Entry of private and foreign sectors in the Mutual

Mutual Fund Operations

The main motive behind mutual fund investments is to deliver a form of diversified investment solution. A mutual fund is managed by aprofessional investment manager. The fund manager studies the market conditionsand identifies the various opportunities available for the mutual funds to grow and then invest all the money into varioussecurities. These securities generate the returns for themutual funds and these returns are again passed back to theinvestors. Thus, again the investors invest their money. It is a cyclical process which continues.

Mutual Funds Regulation

The erstwhile Unit Trust of India (UTI) was set up by the Reserve Bank of India in 1963 and functioned under its regulatory and administrative control. In 1978, the Industrial Development Bank of India (IDBI) took over regulatory and administrative control of the UTI. The Government of India enacted the Securities and Exchange Board of India Act, 1992 on 4 April 1992 which created the Securities and Exchange Board of India (SEBI). SEBI issued a comprehensive set of regulations

SEBI Guidelines Mutual Funds:

SEBI is the regulatory authority of MFs. SEBI hasthe following broad guidelines pertaining to mutual funds: They are MFs should be formed as a Trust under Indian Trust Act and should be operated by Asset Management Companies (AMCs). MFsneed to set up a Board of Trustees and TrusteeCompanies. They should also have their Boardof Directors. The net worth of the AMCs should be at least Rs. 5 cr.AMCs and Trustees of a MF should be twoseparate and distinct legal entities.The AMC or any of its companies cannot actas managers for any other fund.AMCs have to get the approval of SEBI for itsArticles and Memorandum of Association.All MF schemes should be registered withSEBI. MFs should distribute minimum of 90% oftheir profits among the investors. There are otherguidelines also that govern investment strategy, disclosure norms and advertising code for mutual funds

Need of the Study

The Mutual Fund investment is low when compare to rest of the investment Options in India even though it is less risk and safe. Hence there is a need to create Mutual Funds Awareness in India.

Objectives:

The following are the main objectives of the study

1) To KnowDifferent Mediums for Mutual fund awareness

2) To Study investors preferences towards   different Mutual funds

3) To Study Features that attract the investor's most while choosing a mutual fund scheme

Hypotheses:

Based on the objectives the following hypotheses are formulated

1)   **H0: There is no significance difference between Gender and Advertisement as a future Mutual Fund Awareness Media**

2)   **H0: There is no significance difference between Marital Status and Advertisement as a future Mutual Fund Awareness Media**

3)   **H0: There is no significance difference between Income and Advertisement as a future Mutual Fund Awareness Media**

4)   **H0: There is no significance difference between Educational level and Advertisement as a future Mutual Fund Awareness Media**

5)   **H0: There is no significance difference between Age Groups and Advertisement as a future Mutual Fund Awareness Media**

Methodology of Study:

For this study the following methodology was followed

 Sampling Method   : Stratified

Sample Size   : 342(Kurnool-114, Kadapa-112, Anantapur—116)

Primary Data   : Questionnaire.

Secondary Data   : Journals, Magazines, Books, Websites.

Data analysis   : Percentages, Rank Analysis, Man whitny U test, Kruskalwallis test were applied for data analysis.

Data Analysis:

Demographics of the respondents for this study are as follows. Gender: Males 237 with 69.2%Females105 with 30.07%, Education: Up to Inter/Diploma=124, UG=142, PG and above=76, Age 30 and below =108, 31-40years=132, 41 and above=102, IncomeLevels: Below 200000= 103,200001-300000=116,300001-400000=**7**3,400001 and above =50,Marital Status: Married= 274 unmarried=68

Mutual Fund Awareness

From table-1 revealed   that Advertisement is most awareness creating media for mutual fund fallowed by brokers, tax consultants and Friends/relatives.

Mutual Fund Awareness Mediums for future

From table-2 revealed   that Advertisement is most preferred future media for mutual fund awareness fallowed by brokers, tax consultants and Friends/relatives

Weighted average was calculated by First preference with 4 points, second with 3 points, third 2 points and least with 1 point

Hypotheses:

From table-3 the following it is concluded that

1)   H0: There is no significance difference between Gender and Advertisement as a future Mutual Fund Awareness Media
       Interpretation: Null Hypotheses is Accepted

2)   H0: There is no significance difference between Marital Status and Advertisement as a future Mutual Fund Awareness Media
       Interpretation: Null Hypotheses is Rejected

3)   H0: There is no significance difference between Income and Advertisement as a future Mutual Fund Awareness Media
       Interpretation: Null Hypotheses is Rejected

4)   H0: There is no significance difference between Educational level and Advertisement as a future Mutual Fund Awareness Media
       Interpretation: Null Hypotheses is Rejected

5)   H0: There is no significance difference between Age Groups and Advertisement as a future Mutual Fund Awareness Media
       Interpretation: Null Hypotheses is Accepted

Advertisement is most preferred future media for mutual fund awareness and it differ with Marital Status, Income, Educational level but doesn't differ with gender and Age groups

Preference towards Different Mutual Funds

Table-4 reveals investors Preference towards Different Mutual Funds. Investors mostly prefer Equity funds followed by Balanced Fund and Debt Fund

Features that attract the investors most while choosing a mutual fund scheme

Table-5 reveals Features that attract the investors most while choosing a mutual fund scheme. High return is major feature attract the investors fallowed bySafety, Past Performance, Brand Name, Low Cost, Tax Benefit, Risk Profile and Transparency

Conclusion:

1) Advertisement is most preferred future media for mutual fund awareness fallowed by brokers, tax consultants and Friends/relatives. Advertisement is most preferred future media for mutual fund awareness and it differ with Marital Status, Income, and Educational level but doesn't differ with gender and Age groups.
2) Investors mostly prefer Equity funds followed by Balanced Fund and Debt Fund.
3) High return is major feature attract the investors fallowed by Safety, Past Performance, Brand Name, Low Cost, Tax Benefit, Risk Profile and Transparency

Limitations

1. Sample size was limited to 342 because oflimited time which is small to represent the

Whole population

2. The research was limited to Rayalaseemaonly and if the same research would have been

Carried in another area, the results may differ but care has been taken

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Tables

Table-1 Mutual Fund Awareness

S.No	No. of respondents	Percentage
Advertisements(TV/Radio/News Papers/Internet)	154	45.02
Brokers	106	30.99
tax consultants	53	15.49
friends/relatives	31	9.06
Total	342	100

Source-Primary data

Table-2   Different Mutual Fund Awareness Mediums for future and its Preference

8S.No	Weighted average	Rank
Advertisements(TV/Radio/News Papers)	1085	I
Brokers	978	II
tax consultants	716	III
friends/relatives	654	IV

Source-Primary data

Table-3   Hypotheses

S.NO	HYPOTHESES	STATISTICAL TEST	DECISION
H_01	There is no significance difference between Gender and Advertisement as a future Mutual Fund Awareness Media ❖ Mean: Male=2.9194, Females=4.7245 ❖ Asymp. Sig= .060	Man whitny U test	Accepted
H_02	There is no significance difference between Marital Status and Advertisement as a future Mutual Fund Awareness Media ❖ Mean: Married=3.4242, Unmarried =4.723 ❖ Asymp. Sig= .000	Man whitny U test	Rejected
H_03	There is no significance difference between Income and Advertisement as a future Mutual Fund Awareness Media ❖ Mean: Below 200000=1.3812,200001-300000=3.123, 300001-400000=4.542, 400001 and Above=5.0000 ❖ Asymp. Sig= .000.	Kruskalwallis test	Rejected
H_04	There is no significance difference between Educational level and Advertisement as a future Mutual Fund Awareness Media ❖ Mean: Below And Inter=1.9, UG=4.454, PG and Above=5.32 ❖ Asymp. Sig= .000.	Kruskalwallis test	Rejected
H_05	There is no significance difference between Age Groups and Advertisement as a future Mutual Fund Awareness Media Mean: Below 30=2.10, 31-40=4.141, 41 and Above=4.76 ❖ Asymp. Sig= .072.	Kruskalwallis test	Accepted

Source- primary data

Table-4   Preference towards Different Mutual Funds

S.No	No. of respondents	Percentage
Equity funds	172	50.29
Balanced Fund	106	30.99
Debt Fund	64	18.71
Total	342	100

Source- primary data

Table-5 Features that attract the investors most while choosing a mutual fund scheme

S.No	First Preference	Rank
Brand Name	44	IV
Low Cost	38	V
Risk Profile	25	VII
Past Performance	53	III
Transparency	14	VIII
High Return	75	I
Safety	61	II
Tax Benefit	27	VI

Source- primary data