A Study On Customers’ Awareness and Perception Towards Mutual Funds in Dharmapuri District

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Abstract: A mutual fund is resourcefully managed investment scheme allows more investors to invest with prearranged investment objective. The mutual fund manager is the sole responsible for investing the collected money from the investors. The collected money will be invested as per the investor’s choice of scheme preferred. A Mutual fund is simply a financial relationship that allows a group of investors to collect their money together with a prearranged investment objective. The study covers the customers’ awareness and perception towards Mutual Funds in Dharmapuri District. This research will initiate the customer perception with regard to mutual funds that is the schemes they prefer, the plans they are opting, the reasons behind such selections and also this research dealt with different investment options, which people prefer along with and apart from mutual funds. Like postal saving schemes, recurring deposits, bonds, and shares. The study also reveals that Mutual fund is a trust that team up the savings of Number of investors who share a common economic goal. They are investment vehicles and one can use them to invest in asset classes such as equities or fixed income. It provides risk diversification Benefits of making investment in MF are reduction of risk, liquidity, affordability, convenience flexibility and variety. Customer has to identify the best MF management companies and also the suitable schemes among the various schemes floated by the MFs.

Keywords: Mutual Fund, Investment, Customer perception, Mobilization of Resources

1. Introduction

A mutual fund is resourcefully managed investment scheme allows more investors to invest with prearranged investment objective. The mutual fund manager is the sole responsible for investing the collected money from the investors. The collected money will be invested as per the investor’s choice of scheme preferred. A Mutual fund is simply a financial relationship that allows a group of investors to collect their money together with a prearranged investment objective. The mutual fund will enclose a fund manager who is responsible for investing the collected money into particular securities (usually stocks or bonds). By pooling money collectively in a mutual fund, investors can acquire stocks or bonds with much lesser trading costs than if they tried to do it on their own. But the prime benefit to mutual funds is diversification.

A mutual fund is a corporation that collection money from various Customers and spends the money in bonds, stocks, short-term money-market instruments, other assets or securities, or some alliance of these investments. The collective holdings the mutual fund owns are known as its portfolio. Each share signifies an investor’s proportionate possession of the fund’s holdings and the income those holdings generate.
It is a financial agent that pools the savings of Customers for collective investment in a diversified portfolio of securities. And a fund is said to be ‘mutual’ as all of its returns, minus its expenses, are shared by the fund’s Customers.

2. Need for the Study

Mutual fund industry provides reasonable options for an ordinary man to invest in the share market. Financial markets are constantly becoming more efficient by providing more promising solutions to the Customers. As of now big challenge for the mutual fund 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 mutual fund industry more vibrant and competitive. Therefore, a need is there to study awareness and the Customers’ perception regarding the mutual funds.

3. Importance of the Study

A Mutual fund is simply a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The main factor attributed to the Mutual Fund growth is the introduction of various schemes by many fund houses and in particular by the banks. There is need to study the customers’ perceptions and factors influencing their investment decisions. So, in order to identify how far mutual funds satisfy the aspirations of the customers, this study was initiated. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are share by its unit holder in proportion to the number of units owned by them. Thus a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at relatively low cost.

4. Statement of the Problem

In India, it is the household sector which occupies a position of dominance over the other institutional sectors like private corporate sector and public sector in terms of generating savings. If there is higher mobilization of household savings, it means higher availability of resources in the economy for growth and development. Particularly, savings in financial assets by households are more significant from the resource mobilizations point of view, because of their liquidity characteristics compared to physical savings which can be more easily translated into investments. Hence, the factors that drive the investment decisions of individual Customers to meet their expectations by investing money in mutual funds need an in-depth analysis. These driving forces include the preference of Customers on mutual fund compared to various available avenues of financial investments, risk attitude of Customers. For a substantial growth in the mutual fund market, there must be a high level precision in the design and marketing of the products of mutual funds taking into account these driving forces by the Asset Management Companies. Therefore, there is a need to conduct a detailed study on investments in mutual funds in this direction.

5. Objectives of the Study

[1] To ascertain the preference of mutual fund scheme customers.
[2] To examine the factor influence of awareness of mutual funds on investments.

6. Research Methodology

This will be a descriptive research wherein the source for the data will be both primary as well as secondary. There has been very limited published data and information with
regard to this study. Hence the study will try to understand the investment pattern among the Customers & also focus on the performance on mutual funds. This study will cover different stages of Customers.

Research Tools

This is a survey type of research; the major tools will be a questionnaire, observations. The data collected will be analyzed and interpreted by using appropriate statistical tools.

Statistical Techniques for Analysis

The collected data were analyzed with reference to each of the objectives of the study. Statistical tools like descriptive analysis, Chi-Square Analysis, ANOVA Tests and cluster analysis were made use for the study. The various statistical techniques used for analysis and interpretation by using SPSS -21.0 software were used.

7. Review of Literature

Lakshmana Rao.K., (2011) in his study deals with mutual fund investors awareness educational level is an important factor that influences the behavior of investment decisions. Increasing educational level attainment is associated with decreased levels of risk tolerance. An investor’s level of formal education has found to influence risk tolerance. Three hundred and fifty respondents have been selected for this study, for three districts and five schemes in the Andhra Pradesh. The chi-square test has been adopted to examine the association between the formal and technical education factors with the awareness and adoption of the mutual fund schemes. Kainth, Singh Gursharan and Kaur Manpinder., (2009) in this study an attempt towards the perception of investors in Jalandhar city has been undertaken to examine the confidence level of the investors in mutual funds. Analysis of micro factors influencing mutual funds reveals that one-third (highest) of the investors depends upon the recommendation of their friends and relatives, macro factors safety of investment is the major factor (27%) which influence their investment. Results concluded that awareness of the industry is the major factor for pushing the growth of industry.

Madhusudhan V Jambodekar., (2006) conducted a study to assess the awareness of Mutual funds among investors to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that income schemes and open ended schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent Market conditions investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance; News articles and Magazines are the first source of information through which investors get to know about Mutual Funds/Schemes and Investor Service is a major differentiating factor in the selection of Mutual Fund schemes.

Nalini J., (2015) in her thesis entitled “Impact of Mutual Fund schemes in the deposit mobilization of Commercial banks in Kerala” aimed at analyzing the factors that influenced investors in adopting mutual fund schemes as well as their perception compared with other investment schemes. The study adopted multistage random sampling for primary data mining. It reveals that the impact of mutual funds on bank deposits is not significant. Also, Mutual funds are considered as a better investment option than bank deposits due to its high yields (in the form of capital appreciation and high dividend/interest).

Palmer, Adrian J., (2015) This study challenges the emerging conventional Wisdom that relational exchange should be uncritically considered as the norm for both business to
business and personal consumer exchanges. Numerous studies have demonstrated the effects on profitability of pursuing what has become known generically as “relationship marketing.” Discussion of this particularly has suffered from a failure to position the concept, resulting in interpretations ranging from short term sales incentives to another business philosophy. Finally, the over-enthusiastic development of buyer-seller relationships can have anticompetitive implications, which are evident in some Eastern Countries.

8. Major Findings

According to the objectives of the study, various analysis and statistical tools are used for customer perception towards the satisfaction of investment in MFs. The following are to be taken as the findings of the study:

1. It also presents the relationship between the purpose of making investment and residential area by performing chi-square tests.
2. There is a close association between the purpose of making investment and demographic variables at 1 percent level of significance.
3. There is significant association between factors of awareness and MF schemes, return expected, awaiting period and level of awareness of market risk at 5 percent significant level.
4. There is no significant difference between age, level of risk, risk return trade off and interest in MF.
5. The respondents’ level of awareness about the MF products shows that 23.4 percent, 40.8 percent, 30.7 percent are just aware, more aware and most aware groups respectively.
6. The row wise arrows and graph pattern indicates each factor movements. On an average the “More” and “Most” factors constitutes 71.49 percent. The top three awareness factors are: Open End-Close End (49.0 percent), Market Risk (47.6 percent), New Fund Offers/Scheme (42.4 percent)

9. Suggestions

1. The literature study on “Customers’ Perception and Satisfaction towards MFs in Dharmapuri District”, using many statistical tools to analyze the data. Various fruitful findings have been extracted from the study. The following ideas and concerns may be taken as the suggestions for the improvement of customers’ satisfaction towards MF products:
2. The perception of customers is making investment depends on the goals of investment and the level of satisfaction they get from the performance of the MF products. Therefore it is suggested to prefer the schemes most suitable for them by shifting the risk to the MF managers.
3. The Mutual Fund management should also consider the demography of the investors, their purpose of making investment and their most preferred schemes while floating the MF products. The main aim of the MF management companies is to satisfy the customers by providing awareness over the present and forthcoming innovative MF products.
4. MF management companies should launch MF products by conserving the immense need and high satisfaction of the customers. It is suggested to inform the MF products and their performance by SMS, e-mail and physical paper information to the customers.
5. To increase the inflow of funds into the industry the governing body has to look into investor awareness and investor protection and moreover increase the investments through retail investors. The investments by institutional investors
can create huge volatility when there are tremendous redemptions by these investors which again create panic in the minds of the investors.

Investor awareness is a major area of concern for the mutual fund industry in India. However, it is being dealt with in multiple ways. To have sustainable growth, it is critical that the investor has to be given a clear picture about the product, the schemes objectives and the expenses, etc. which are associated with the funds. SEBI is conducting investor education programs but the industry still has a long way to go to increase the investors’ literacy on mutual funds.

10. Conclusion

A Mutual fund is a trust that team up the savings of Number of investors who share a common economic goal. They are investment vehicles and one can use them to invest in asset classes such as equities or fixed income. It is managed by professional fund managers. It provides risk diversification. Benefits of making investment in MF are reduction of risk, liquidity, affordability, convenience flexibility and variety. Customer has to identify the best MF management companies and also the suitable schemes among the various schemes floated by the MFs.

11. Reference