
A Study of Investors Attitude towards Mutual Fund

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ABSTRACT:

The paper consists of mutual fund structure, operations of mutual fund, comparison between investment in mutual fund, shares and bank and calculation of Net Asset Value etc. In this article, the impacts of demographical factor of investors such as age, gender, literacy rate to what extent influence the attitude of investor towards mutual fund have been studied and the article also includes the economical factors such as income level, Type of Earnings, savings of investors will influence the attitude investor towards mutual funds. For measuring the phenomena and analyzing the data collected from various investors' through questionnaire and to the draw the conclusions of attitude of investors towards mutual funds a statistical tool Chi-square test is used. To analyze the various factors such as Income, gender, age, Income of Consumers and education of investors, ranking was awarded on the basis of assumed scale and on the basis of weighted average score. Hypothesis is made to know whether the factors will influence the attitude of investors towards mutual fund or not.

KEYWORDS: *Mutual Fund Structure, Net Assets Value, Demographical factors, Economical Factors, Chi-square test, Hypothesis.*

INTRODUCTION:

A Mutual Fund is pure intermediary which performs a basic function of buying and selling of securities on behalf of unit-holders. Mutual fund performs the function of trading of securities economically, conveniently, easily and profitably.

Mutual fund is an organization Pools the money of people with certain investment goals or objectives and the money is invested in various securities depending on the objectives of the mutual fund scheme and the profits (or loss) are shared among the unit holders in proportion to their investment.

Investments of mutual fund schemes are spread across a wide cross-section of industries and sectors. Diversification of investment reduces the risk because all securities may not move in the same proportion and in the same direction at the same time. Mutual allocates the units to the various investors depending upon the amount of money invested by them.

The investors who invested in mutual funds are known as unit holders. The profits or losses are shared by the unit holders in proportion to their investment. The mutual funds offers a variety of schemes with different Objectives will meet the requirement of various investors and able to attract funds from various investors.

A mutual fund is required to be registered with SEBI (Securities and Exchange Board of India).. A Mutual fund is a trust that pools the savings of a number of various investors having a common financial goal. The money which is collected from various investors is invested in various capital market instruments such as equity shares, debentures and other Marketable securities. The income earned through these investments and the capital appreciations realized are shared among its unit's holder in proportion to the number of units (depending on investment) owned by them.

Hence a Mutual Fund is the most suitable investment alternative to the common man as it offers to invest in diversified securities, professional management by fund managers at a lowest cost.

A mutual fund organization is an organization which is started in the form of trust, Every mutual fund should have a sponsor, assets management company (AMC), trustee and custodian. Sponsor is the person who acts alone or in combination with another body corporate and establishes a mutual fund. Sponsor must contribute at least 40% of the net worth of the investment managed and meet the eligibility criteria prescribed under the Securities and Exchange Board of India (Mutual Funds) regulations, 1996. The sponsor is not responsible or liable for any loss or shortfall resulting from the operation of the schemes beyond the initial contribution made by it towards setting up of Mutual Fund. The Mutual Fund is constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882 by the Sponsor. Trustee is usually a corporate body (company) or a board of body of individuals (trustees). The main responsibility of the trustee is to safeguard the interest of the unit holders and also ensure that AMC functions in the interest of investors' and in accordance with the SEBI, (Mutual Fund) Regulations 1996 the provisions of the Trust deed and the offer Document of the respective schemes. The Asset Management Company is appointed by the Trustees as the investment Manager of the Mutual Fund. The Asset Management Company is required to be approved by SEBI to act as an asset management company of the Mutual Fund. The AMC if so authorized by the Trust Deed appoints the Registrar and Transfer Agent to agent the mutual fund. The registrar processes the application form, redemption requests and dispatches account statements to the unit holders. The Registrar and Transfer agent also handles communications with investors' and updates investor records.

HISTORY OF MUTUAL FUND:

The mutual fund industry in india is started in 1963 with the formation of UTI (Unit trust of India) at initiative of the RBI and Government of India. The history mutual fund in india can be broadly classified in to four distinctive phases:

Phase - I: Establishment and growth of Unit Trust of India (1964 -1987)

Phase – II: Entry of Public sector mutual funds by Banks, Lic and Gic (1987-1993)

Phase –III: Entry or emergence of Private Sector in Mutual funds (1993-1996)

Phase-IV: Growth and SEBI regulation over mutual fund (1996-99)

Phase –V: Emergence of a Large and Uniform Mutual fund Industry (1999-2004)

Phase –VI: Consolidation and Growth of Mutual funds (from 2004onwards).

ADVANTAGES OF MUTUAL FUNDS:

The following are the main advantages of Mutual Fund:

1. Professional Management
2. Diversification of funds.
3. Low transaction cost
4. Availability of various schemes.
5. High Liquidity.
6. More Returns.
7. High flexibility.
8. Well regulated.

STRUCTURE OF MUTUAL FUND:



COMPARISION BETWEEN INVESTMENT IN BANK AND MUTUAL FUND:

The following Table depicts the differences between Mutual funds and Banks.

FACTORS	MUTUAL FUND	BANK
Returns	More	Low
Risk	Moderate	Low
Administrative Expenses	Less	More
Investment Options	High	Low
Liquidity	More	Less

NET ASSET VALUE:

In dealing with Mutual funds, it is necessary to know the current value of their units. Net Asset Value (NAV) of the unit is an important relevant concept. It is act as a base for pricing of mutual fund unit. In the case Open Ended Funds (OEF), Close Ended funds (CEF) the Net Asset Value per unit is arrived by calculating the total market value of investments or assets of the Mutual fund, subtracting liabilities, and dividing by the number of units currently outstanding.

$$NAV = \frac{\text{Total market value of the Asset or securities in the portfolio of funds} - \text{Liabilities}}{\text{Number of fund's units (shares) outstanding}}$$

In case of units of Open Ended funds, the Net Asset value is calculated daily and the sales and repurchases on each day are made at the most recently calculated NAV. The approximate formulae used for calculating the price of unit as follows:

$$\text{NAV} = \frac{(\text{Market Value of Securities or assets} - \text{Liabilities}) - (\text{Brokerage charges} + \text{Commission} + \text{Other Expenses})}{\text{Number of units Outstanding}}$$

The Expected return on units is calculated using the following formulae:

Expected Rate of Return on Units =

$$\frac{(\text{NAV in the ending of the period} - \text{NAV at the beginning of the period}) + \text{Dividends} + \text{Capital gains}}{\text{NAV at the beginning of the period}}$$

OBJECTIVES:

1. The main Objective of this article is to study and analyze the impact of various demographical factors on attitude of investors towards mutual fund.
2. To know the various factors responsible for the selection of mutual funds as an investment alternative based on ranking given by Investors.

RESEARCH METHODOLOGY:

The study is conducted with the objective to know the attitude of respondents/investors towards mutual fund as investment alternative. The study is basically an analytical study based on primary research. In order to study the attitude of investors, 125 investors in Karimnagar, Telangana state have been selected by random sampling method and a survey has been conducted through questionnaire for collecting the information/data. The primary sources have been applied mainly to collect the data required for this analytical study and also considered secondary data wherever it is necessary.

The data collection method used to obtain the required information from primary sources through direct interview and questionnaire has been used as an instrument. Basically, targeted population belongs to the Karimnagar region and considering an individual investor as a sampling unit. Random sampling has been used for collecting the sample.

For measuring various phenomena and analyzing the collected information effectively and efficiently to draw sound conclusions, a statistical tool Chi-square test is used for testing of hypothesis h_0 for analyzing the various factors or determinants which are responsible for investment in mutual funds, Weighted scores are used for allocation of ranks to various factors and the scoring is done on the basis of scale.

Chi-square test is a powerful test for testing the significance of the disagreement between theory and experiment as given by Karl Pearson. Chi-square test is able to find out the deviation between the Observed values and Expected value is just by chance. If O_i ($i=1, 2, \dots, n$) is a set of observed (experimental) frequencies and E_i ($i=1, 2, \dots, n$) is the corresponding set of expected (theoretical or hypothetical) frequencies, then Karl Pearson's Chi-Square is given by

$$\text{Chi-square Value} = \sum (O_i - E_i)^2 / E_i$$

TESTING OF HYPOTHESIS:

The following hypotheses have been under taken for the study of attitude of investors towards mutual funds.

1. There is no association between age and the attitude towards mutual funds.
2. There is no association between sex and the attitude towards mutual funds.
3. There is no association between income and the attitude towards mutual funds.

4. There is no association between educational qualification and the attitude towards mutual funds.
5. There is no association between occupation and the attitude towards mutual funds.

ANALYSIS AND FINDINGS:

The Study was conducted with objective of identifying the level of attitude of investors towards the mutual funds. The study identified that out of 125 respondents 36 respondents have a positive/favourable attitude, 58 respondents have a neutral attitude and 31 respondents have a negative attitude towards the mutual funds.

Table I. Association between age and attitude towards the mutual fund

Age	Attitude Level			Total
	Positive	Neutral	Negative	
25-40	18	31	11	60
40-55	14	21	14	49
Above 55	04	06	06	16
Total	36	58	31	125

The Calculated Chi-square Value is 4.8590

Degrees of freedom = (c-1) (r-1) = (3-1)(3-1) = 4

Table Value of Chi-square is 9.488 at 5% Level of significance

From the above table it is able to explain the association between age and attitude of investors towards mutual fund. The calculated value of chi-square is 4.8590 which less than Table value of chi-square at 5% level of significance i.e., 9.488

Hence it is insignificant and the null hypothesis is accepted i.e., there is no association between age and attitude of investors towards mutual funds at 5% level of significance. About 18 respondents having age group (25-40), 14 respondents having age group (40-55) and 4 respondents have age above 55 have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds in the age group (25-40) against the others.

Table II. Association between gender and attitude towards the mutual fund

Gender	Attitude			Total
	Positive	Neutral	Negative	
Male	30	35	23	88
Female	05	24	08	37
Total	35	59	31	125

The Calculated Chi-square Value is 6.5346

Degrees of freedom = (c-1) (r-1) = (3-1) (2-1) = 2

Table Value of Chi-square is 5.991 at 5% Level of significance

From the above table it is able to explain the association between Gender and attitude of investors towards mutual fund. The calculated value of chi-square is 4 6.5346 which is more than Table value of chi-square at 5% level of significance i.e., 5.9912

Hence it is significant and the null hypothesis is rejected i.e., there is association between age and attitude of investors towards mutual funds at 5% level of significance

From the above table it is identified 30 male respondents and 05 female respondents have a positive attitude of towards the mutual funds. We find there is a more or highest positive attitude towards the mutual funds in male investors against the female investors.

Table III. Association between income and attitude towards the mutual fund

Monthly income (in Rupees)	Attitude			
	Positive	Neutral	Negative	Total
Up to 25,000	06	14	08	28
25,000 to 40,000	18	40	15	73
Above 40,000	12	04	08	24
Total	36	58	31	125

The Calculated Chi-square Value is 11.3998

Degrees of freedom = (c-1) (r-1) = (3-1) (3-1) = 4

Table Value of Chi-square is 9.488 at 5% Level of significance

From the above table it is able to explain the association between Income Earned and attitude of investors towards mutual fund. The calculated value of chi-square is 11.3998 which is more than Table value of chi-square at 5% level of significance i.e., 9.488

Hence it is highly significant and the null hypothesis is rejected i.e., there is association between Income earned by investors and their attitude towards mutual funds at 5% level of significance

From the above table it is identified 06 respondents having monthly income up to Rs. 25,000, 18 respondents having monthly income between Rs.25,000 and Rs.40,000 and 12 respondents having monthly income more than Rs. 40,000 have a positive attitude of towards the mutual funds. It is find that there is a more or highest positive attitude towards the mutual funds having monthly more than Rs.40,000 against other Income groups

Table IV. Association between level of education and attitude towards the mutual fund

Education	Attitude			
	Positive	Neutral	Negative	Total
SSC	03	10	06	19
Inter	06	10	13	29
Graduate	17	20	10	47
PG	15	12	03	30
Total	41	52	32	125

The Calculated Chi-square Value is 15.501

Degrees of freedom = (c-1) (r-1) = (3-1)(4-1) = 6

Table Value of Chi-square is 12.592 at 5% Level of significance

From the above table it is able to explain the association between educational qualification and attitude of investors towards mutual fund. The calculated value of chi-square is 15.501 which is more than Table value of chi-square at 5% level of significance i.e., 12.592.

Hence it is significant and the null hypothesis is rejected i.e., there is association between education qualification of investors and their attitude towards mutual funds at 5% level of significance.

From the above table it is identified 3 respondents having educational qualification up to SSC, 6 respondents having educational qualification Intermediate, 17 respondents having educational qualification Graduation and 15 respondents having educational qualification Post-Graduate have a positive attitude of towards the mutual funds. It is find that there is a highest positive attitude towards the mutual funds having educational qualification Post-graduate (in terms of Percentage) against other groups.

Table V. Association between occupation and attitude towards the mutual fund

Occupation	Attitude			Total
	Positive	Neutral	Negative	
Business	06	12	08	26
Service	20	17	10	47
Professionals	10	09	05	24
Others	04	17	07	28
	40	55	30	125

The Calculated Chi-square Value is 9.3139

Degrees of freedom = (c-1) (r-1) = (3-1)(4-1) = 6.

Table Value of Chi-square is 12.5922 at 5% Level of significance

The above Table explains the association between occupation and attitude towards the mutual funds. The calculated value of chi-square is 9.3139 is less than table value of chi-square at 5% level of significance i.e., 12.5922.

Hence the null hypothesis is accepted at 5% level of significance. Hence there is no association between attitude of investors and Occupation. From the above analysis we find the service occupation has highest positive attitude towards mutual fund. About 20 respondents whose are in service occupation, 10 respondents whose occupation is professional and 6 respondents whose occupation is Business and 4 respondents whose occupation is other were positive attitude towards the mutual funds.

During the Survey, it was identified that the investors are basically invested in mutual funds due to high return potential, liquidity, flexibility, affordability and transparency. The following Table shows ranking of various factors by investors to make investment in mutual fund. Investors were asked to rank these various factors according to their preference and assigned rank from 1 to 5.

Table VI. Various factors responsible for investment in mutual funds

Rank Factors	No. of Respondents					Total
	1	2	3	4	5	
Return Potential	73	30	08	11	3	125
Transparency	13	18	18	36	40	125
Liquidity	20	26	34	21	24	125
Flexibility	10	35	39	23	18	125
Affordability	09	16	26	34	40	125
	125	125	125	125	125	-

To analyze the various factors which will responsible for investment in mutual funds by investors, ranking is allocated on the basis of weighted scores and scoring is allocated as given below:

Rank	Weight Assigned
1	5
2	4
3	3
4	2
5	1

Table VII. Allocating Ranks to various factors based on weighted score

Factors	Weighted Score	Percentage	Rank
Return Potential	534	28.48	I
Transparency	303	16.16	IV
Liquidity	372	19.84	II
Flexibility	371	19.79	III
Affordability	295	15.73	V
Total	1875	100	-

From the above table it is identified the return potential is the prime and first factor for making investment in mutual fund with a percentage of 28.48% followed by Liquidity and flexibility with a percentage of 19.84%, 19,79% respectively thereafter Transparency with a percentage of 16.16% at the end Affordability with a percentage of 15.73%.

CONCLUSION

From the above study it was find that most of investors are still unaware of benefits associated with the mutual funds and they are with neutral attitude i.e., they have not formed any attitude towards the mutual fund for investment purpose. It has been observed that most of the investors or respondents are having lack of awareness about the concept and benefits associated with mutual funds. Moreover, it is identified that the demographical factors such as gender, income and level education are significantly influencing the attitude of investors towards mutual fund as investment alternative on the other hand the other two demographical factors i.e., age and occupation are not been found influencing the attitude of investors towards mutual fund as investment alternative.

From the above study it is identified the return potential is the prime and major benefit for making investment in mutual fund followed by Liquidity, flexibility thereafter Transparency at the end Affordability by the respondents.

Apart from the above, India is the largest country with high population and lot of scope to generate funds and to transfer these resources towards the growth of Industry and to increase the economy of a country. Mutual fund plays a vital role in transforming savings into investment. The Government and mutual fund companies should increase the awareness of mutual fund and its associated benefits and the mutual fund schemes should meet the requirement of investors in terms of liquidity, risk and return to increase positive attitude of investors towards mutual fund.

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