

A Study on Awareness Level of Customer towards Mutual Funds in Salem District

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Introduction

A Mutual fund is merely a financial liaison 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 accountable 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 pools 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.

Review of literature

Lakshmana Rao.K (2011)³¹ 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.

Madhusudhan V Jambodekar (2006)³⁹ 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.

Objective of the study

The objective of the study is to analyse the awareness level of customers towards mutual fund.

Research Methodology

This will be a descriptive research wherein the source for the data will be both primary as well as secondary. The researcher has selected Salem District as the research area.

Primary data are information collected by a researcher specifically for a research assignment. In other words, primary data are information that a company must gather because no one has compiled and published the information in a forum accessible to the

public.

The information collected from the various mutual funds brochures of the company as well from similar research project conducted elsewhere. Annual reports, journals, magazines and books will be referred for this study.

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.

A detailed questionnaire will be prepared and administered on Customers. The sample of the survey would be 500 mutual funds Customers spread across the above cities. Sampling is the most important stage of social research. For the sampling process, Multi-stage sampling design has been adopted to achieve the objective of the study. Chi-square and frequency analysis was used as a statistical tool.

Analysis & Interpretation

Table 1

Demographic Profile of the Respondents'

Variable	Group	Frequency	Percentage
Gender	Male	419	83.8
	Female	81	16.2
	Total	500	100.0
Age	21- 30	77	15.4
	31-40	248	49.6
	41-50	165	33.0
	Above 51	10	2.0
	Total	500	100.0
Marital Status	Married	455	91.0
	Unmarried	45	9.0
	Total	500	100.0
Residence	Urban	220	44.0
	Rural	175	35.0
	Semi-Urban	105	21.0
	Total	500	100.0
Educational Qualification	Under Graduate	102	20.4
	Graduate	271	54.2
	Degree/Diploma	110	22.0
	Post Graduate and Above	127	25.4
	Total	500	100.0
Occupation	Business	199	39.8
	Government Employees	103	20.6
	Private Sector Employees	188	37.6
	Retired	10	2.0
	Total	500	100.
Monthly Income	Up to Rs.25,000	22	4.4
	Rs.25,001-Rs.50,000	96	19.2
	Rs.50,001-Rs.75,000	233	46.6
	Above –Rs.75,000	149	29.8
	Total	500	100.0

No. of Persons in the Family	1-2	42	8.4
	3-4	281	56.2
	4 and Above	177	35.4
	Total	500	100.0
Average Savings (P.A)	Up to Rs.10,000	109	21.8
	Rs.10,001-Rs.25,000	180	36.0
	Rs.25,001-Rs.40,000	107	21.4
	Above –Rs.40,000	104	20.8
	Total	500	100.0

Source: Primary Data

Inference

The above table 1 shows that the demographic variables of the respondents related to the MF perception, reveals the following significant information. Among the genders are male 83.8 percent and female 16.2 percent. The majority of the age group (49.6 percent) belongs to 31-40 category, 91 percent of the respondents are married. Among the respondents 44 percent, 35 percent and 21 percent belong to urban, rural and semi-urban. The majority of the respondent's educational qualification is graduate level (54.2 percent) and the next major is degree level (25.4 percent). The majority of the respondents' are businessmen (39.8 percent), the next major are private sector employee (37.68 percent). Majority of the respondents monthly income falls between Rs.50, 001- Rs.75,000 (46.6 percent) and the next major income group falls between Rs.25,001-Rs50,000 (19.2 percent). The majority of the respondent's (56.2 percent) number of persons in the family is between 3 and 4. The majority of the respondents (36 Percent) average savings per annum falls between Rs.10, 001 and Rs.25, 000.

Table 2

Proposed Investments and M.F.Schemes, Return Expected, Awaiting Period and Level of Awareness -Chi-Square Tests

No.	Particulars	Pearson Chi-Square Value	df	Asymp. Sig. (2-sided)	Remarks
1	Proposed investment and M.F schemes preferred	31.075	8	<0.001	Significant
2	Proposed investment and Return expected from investments.	58.773	4	<0.001	Significant
3	Proposed investment and awaiting period.	32.162	4	<0.001	Significant
4	Proposed investment and Level of awareness of Market Risk.	31.753	4	<0.001	Significant

Sources: Computed

Table 2.1

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	294.736	12	.000
Likelihood Ratio	284.474	12	.000
Linear-by-Linear Association	.040	1	.841
N of Valid Cases	500		

Sources: *Computed*

Inference

As the P value is less than 0.05, 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.

Table-3

Level of Awareness of Mutual Fund Products

No.	Particulars	Level of Awareness					Total
		Not Aware	Less Aware	Just Aware	More Aware	Most Aware	
1	Level of Awareness - Market Risk	4	16	165	238	77	500
	%	0.8%	3.2%	33.0%	47.6%	15.4%	100.0%
2	Scheme Information Document	3	10	119	199	169	500
	%	0.6%	2.0%	23.8%	39.8%	33.8%	100.0%
3	NAV	2	14	137	160	187	500
	%	0.4%	2.8%	27.4%	32.0%	37.4%	100.0%
4	Open End-Close End	15	16	87	245	137	500
	%	3.0%	3.2%	17.4%	49.0%	27.4%	100.0%
5	Type of Fund/Scheme	6	12	135	185	162	500
	%	1.2%	2.4%	27.0%	37.0%	32.4%	100.0%
6	New Fund Offers/Scheme	15	40	96	212	137	500
	%	3.0%	8.0%	19.2%	42.4%	27.4%	100.0%
7	Entry Load/Exit Load	5	22	79	190	204	500
	%	1.0%	4.4%	15.8%	38.0%	40.8%	100.0%
	Total	50	130	818	1429	1073	3500
	%	1.4%	3.7%	23.4%	40.8%	30.7%	100.0%

Sources: *Computed Inference*

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. This shows that only 1.4 percent of the respondents are unaware about the MF products’.

Table 4

PATTERN OF LEVEL OF AWARENESS OF MUTUAL FUNDS												
No.	Factors of Awareness-%	Not Aware	Less Aware	Just Aware	More Aware	Most Aware	Total	Pattern	Highest %	Status-1	Lowest-%	Status-2
1	Market Risk	0.80%	3.20%	33.00%	47.60%	15.40%	100.00%		47.60%	More Aware	0.80%	Less Aware
2	Scheme Information	0.60%	2.00%	23.80%	39.80%	33.80%	100.00%		39.80%	Most Aware	0.60%	Less Aware
3	NAV	0.40%	2.80%	27.40%	32.00%	37.40%	100.00%		37.40%	More Aware	0.40%	Less Aware
4	Open End-Close End	3.00%	3.20%	17.40%	49.00%	27.40%	100.00%		49.00%	Just Aware	3.00%	Less Aware
5	Type of Fund/Scheme	1.20%	2.40%	27.00%	37.00%	32.40%	100.00%		37.00%	Less Aware	1.20%	Less Aware
6	New Fund Offers/Scheme	3.00%	8.00%	19.20%	42.40%	27.40%	100.00%		42.40%	More Aware	3.00%	Less Aware
7	Entry Load/Exit Load	1.00%	4.40%	15.80%	38.00%	40.80%	100.00%		40.80%	Most Aware	1.00%	Less Aware
8	Average	1.43%	3.71%	23.37%	40.83%	30.66%	100.00%		40.83%	More Aware	1.43%	Less Aware

Inference

The above table 4, indicates the pattern of level of awareness of Mutual Funds. There are 7 factors. 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:

1. Open End-Close End (49.0 percent)
2. Market Risk (47.6 percent)
3. New Fund Offers/Scheme (42.4 percent)

Findings

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.

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)

Conclusion

The savings and financial intensification are closely related with each other. The economic increase of a country is deliberated in terms of GDP. A few deterrents of savings are demographics of a country or region, income level, production level or productivity of a nation. Through mutual fund the savings and investments habits can be nurtured. 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. It offers a range of plans such as SIP (systematic Investment Plan), STP (Systematic Transfer Plan), SWP (systematic withdrawal Plans) and varieties of schemes. Good savings and investment habit with preconceived purpose would enhance the standard of living of people at micro level and the economy as a whole. Creating awareness about mutual fund is important to create a customer. Developing a good marketing awareness strategy

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