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A study on awareness of investment opportunities in mutual funds - special Significance on SIP

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Executive Summery

The study is confined to the factors considered by investors by selecting mutual funds for their various investments. The level of awareness about SIP, Source of information, factors influencing decision making are studied. The above said factors are compared with demographic factors such as age, marital status, Occupation and gross annual income of the respondents to analyze "the awareness of investment opportunities in mutual funds - special Significance on SIP"

Introduction

These days you are hearing more and more about mutual funds as a means of investment. If you are like most people, you probably have most of your money in a bank savings account and your biggest investment may be your home. Apart from that, investing is probably something you simply do not have the time or knowledge to get involved in. You are not the only one. This is why investing through mutual funds has become such a popular way of investing.

Mutual Fund

A mutual fund is a pool of money from numerous investors who wish to save or make money just like you. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want.

Professional Management. Each fund's investments are chosen and monitored by qualified professionals who use this money to create a portfolio. That portfolio could consist of stocks, bonds, money market instruments or a combination of those.

Fund Ownership. As an investor, you own shares of the mutual fund, not the individual securities. Mutual funds permit you to invest small amounts of money, however much you would like, but even so, you can benefit from being involved in a large pool of cash invested by other people. All shareholders share in the fund's gains and losses on an equal basis, proportionately to the amount they've invested.
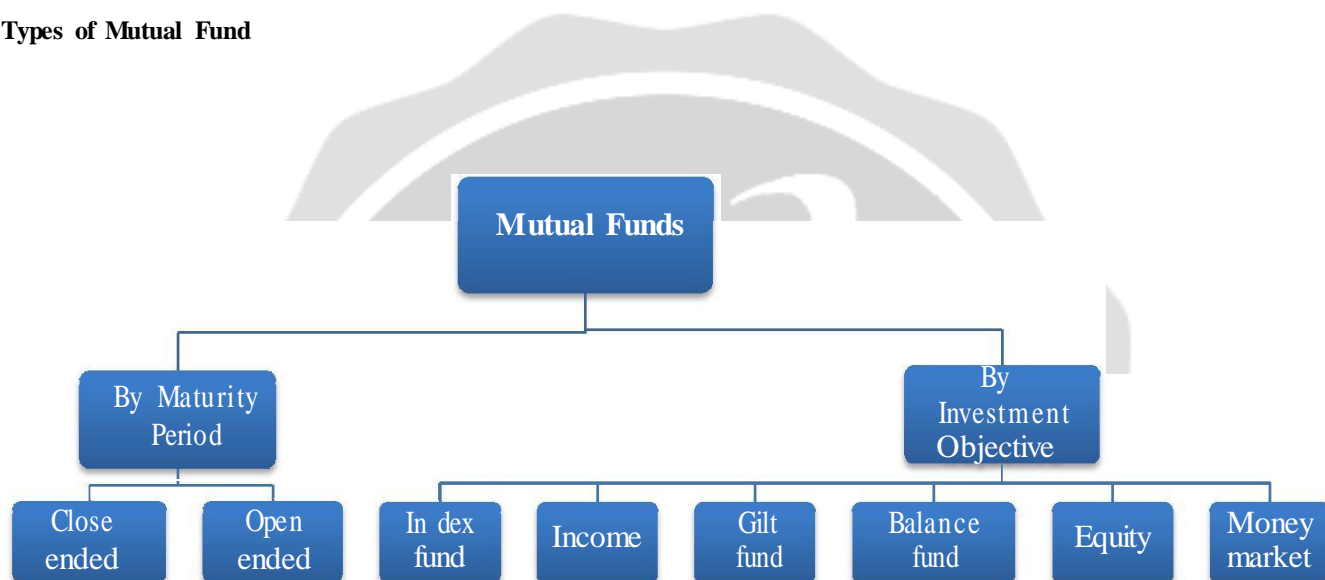
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History of the Indian Mutual Fund Industry

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank. The history of mutual funds in India can be broadly divided into four distinct phases

- First Phase – 1964-87
- Second Phase – 1987-199 3 (Entry of Public Sector Funds)
- Third Phase – 1993-2003 (Entry of Private Sector Funds)
- Fourth Phase – since February 2003 (Global Scenario)

Types of Mutual Fund

Schemes according to Maturity Period

A mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

- **Open-ended Fund**

An open-ended Mutual fund is one that is available for subscription and repurchase on a <u>continuous basis</u>. These Funds do not have a fixed maturity period

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- **Close-ended Fund**

A close-ended Mutual fund has a <u>stipulated maturity</u> period e.g. 5-7 years. The fund is open for subscription only during a specified period at the time of launch of the scheme

Fund according to Investment Objective

A scheme can also be classified as growth fund, income fund, or balanced fund considering its investment objective.

- **Growth / Equity Oriented Scheme**

The aim of growth funds is to provide capital appreciation over the medium to long - term.

Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc.

- **Income / Debt Oriented Scheme**

The aim of income funds is to provide regular and steady income to investors.

Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments such funds are less risky compared to equity schemes

- **Balanced Fund**

The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents.

These are appropriate for investors looking for moderate growth

- **Money Market**

These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, commercial paper and government securities, etc. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods

- **Gilt Funds**

These funds invest exclusively in government securities. Government securities have no default risk.

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- **Index Funds**

This scheme invests in the securities in the same weightage comprising of an index. This scheme would rise or fall in accordance with the rise or fall in the index

Systematic Investment Plan

A Systematic Investment Plan or SIP is a smart and hassle free mode for investing money in mutual funds. SIP allows you to invest a certain pre-determined amount at a regular interval (weekly, monthly, quarterly, etc.). A SIP is a planned approach towards investments and helps you inculcate the habit of saving and building wealth for the future.

How does it work?

A SIP is a flexible and easy investment plan. Your money is auto-debited from your bank account and invested into a specific mutual fund scheme. You are allocated certain number of units based on the ongoing market rate (called NAV or net asset value) for the day.

Every time you invest money, additional units of the scheme are purchased at the market rate and added to your account. Hence, units are bought at different rates

and investors benefit from Rupee-Cost Averaging and the Power of Compounding.

Rupee-Cost averaging

With volatile markets, most investors remain skeptical about the best time to invest and try to 'time' their entry into the market. Rupee-cost averaging allows you to opt out of the guessing game. Since you are a regular investor, **your money fetches more units when the price is low and lesser when the price is high**. During volatile period, it may allow you to achieve a lower average cost per unit.

Power of Compounding

Albert Einstein once said, *"Compound interest is the eighth wonder of the world. He, who understands it, earns it... he who doesn't... pays it."* The rule for compounding is simple - the sooner you start investing, the more time your money has to grow.

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Scope of the study

The study is confined to the factors considered by investors by selecting mutual funds for their various investments. The level of awareness about SIP, Source of information, factors influencing decision making are studied. The above said factors are compared with demographic factors such as age, marital status, Occupation and gross annual income of the respondents to analyze "the awareness of investment opportunities in mutual funds - special Significance on SIP"

Objectives of the study

- To study the attitude of the investors towards mutual funds

- To analyze the various sources that influences the respondents in selecting mutual funds and SIP.

- To measure the level of awareness of the respondents about mutual funds and SIP.

- To analyze the factors influencing investors awareness.

- To offer suggestion for the improvement on investment in mutual funds.

Methodology and Tools used

The study is mainly based on the primary data and the required primary data were collected through the structured questionnaires from the 200 sample respondents who were selected through the convenience random sampling method. In order to find out the association between the various independent variables and the dependent variables analyzed by using statistical tools like Simple percentages, Chi - square test and ANOVA.

Findings

- 30% (Majority) of respondents belongs to the age group of 25 to 34 and 21% belongs to 18 to 24 (Ref: Table.1).

- The gender wise distribution of sample unit reveals that the number of male respondents exceeds female sample respondents. (Ref: Table.2)

- On marital status wise distribution 62% of sample respondents are married.(Ref: Table.3)

The distribution of sample unit by education explains that majority of the respondents 32% Post Graduate qualification. (Ref: Table.4)
- The occupation of sample unit is largely distributed between employment (28%) and Business (20%). (Ref: Table.5)

- The study indicated that 44% of the respondents have the income between 25001 to 50000. (Ref: Table.6)

- The study indicates that 36% of the respondents get information through friends.(Ref: Table
- .7)

- It is observed that 69% of the respondents know SIP and its relevance. (Ref: Table.8)

- It is observed from the study majority of the respondents (38%) take investment decision their own. Only 5% influence through dealers. (Ref: Table.9) The result of the chi-square test indicates that the attributes such as Age group and Awareness of SIP, Occupation and Awareness of SIP, Education and Awareness of SIP, Marital status and Factors influencing decision making – the hypothesis is rejected and we can conclude that this attributes are dependent so directly affect awareness and decision making. But while testing the attributes Gender and Awareness of SIP and Gender and Factors influencing decision making – the hypothesis is accepted. That is these attributes are independent.(Ref: Table.10)

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- The ANOVA Table of analysis of variance between education level and source of information while carrying out two way analysis exhibits that through educational level there is significant variance since calculated value (3.02) greater than Table value (3.01). But through raw wise analysis that is source of information the hypothesis is accepted so there is no significant variance here the calculated value (2.49) and Table value (3.01). (Ref: Table.11)

- The ANOVA Table of variance between occupation and source of information reveals that through column wise analysis there is significant deference in occupation and source of information of the respondents. Calculated value (5.22) Table Value (3.01). And on raw wise analysis that is through source of information results there is no significant variance. Since Calculated value (2.369) and Table value (3.01) (Ref: Tbale.12)

- The ANOVA table of analysis of variance between annual income and factors influencing decision making reveals that through column wise analysis there is significant variance in annual income of respondent's calculated value (5.27) table value (3.86). and on raw wise analysis that is factors influencing decision making also have significant variance the calculated value is (4.60) and Table value (3.86) (Ref: Table.13)

Suggestions

- More awareness about SIP can be made to the general public through advertisements promotional programmes etc.

- Proper guidelines must be provided to Business, agricultural people for improving their awareness regarding investments.

- Dealers can create more awareness regarding SIP to increase investor's attitude towards SIP.

- Dealers can have a friendly approach with investors to promote investor's decision making power on mutual funds.

- More awareness programme to be given to low income groups (up to 10000) to promote investment in mutual fund through SIP.

- More awareness programme to be given to lower education level people (That is Higher Secondary, SSLC and Below SSLC)

- Investor education is very important factor for investors. Research and awareness programmers' should be conducted for investors. Seminars, conferences and training programs should be arranged for this purpose. Adequate publicity through newspapers, magazines, T.V., radio, pamphlets and brochures should be done.

Conclusion

The Mutual Fund Industry is a growth industry it cover a spectrum of Investment Options. Start Investing Early & Systematically. We invest through a Professional Money Manager. The study was based on the awareness of investment opportunities in mutual funds – with special significant on SIP. It becomes essential that the mutual fund industry should stream line itself and become more compatible with global scenario in the fields of operation and services.

Appendix

Table 1. Distribution of sample units by Age

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Age	No. of respondents	Percentage
18 - 24	42	21
25 - 34	60	30
35 – 44	52	26
45 and Above	46	23
Total	200	100

Table 2. Distribution of sample unit by Gender

Gender	No. of respondents	Percentage
Male	112	56
Female	88	44
Total	200	100

Table 3. Distribution of sample by marital status.

Status	No. of respondents	Percentage
Married	124	62
Unmarried	76	38
Total	200	100

Table 4. Distribution sample by Educational qualification.

Level of Education	No. of respondents	Percentage
Below SSLC	8	4
SSLC / Higher Secondary	44	22
Graduate	52	26
Post Graduate	64	32
Others	32	16
Total	200	100

Table 5. Distribution of sample by Occupation.

Occupation	No. of respondents	Percentage
Business	40	20
Employment	56	28
Profession	38	19
Agriculture	15	7.5
Others	51	25.5
Total	200	100

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Table 6.Distribution of sample Units by Income

Income	No. of respondents	Percentage
Upto 10000	22	11
10001 – 25000	46	23
25001 – 50000	88	44
50001 and Above	44	22
Total	200	100

Table7. Distribution of sample unit by source of information.

Source	No. of respondents	Percentage
Friends	72	36
Relatives	32	16
Advisement	56	28
News paper	26	13
Others	14	7
Total	200	100

Table 8. Distribution of sample unit by knowing SIP and its relevance

	No. of respondents	Percentage
Know	138	69
Not Know	62	31
Total	200	100

Table 9. Distribution of sample units by Factors influencing decision making.

Factors	No. of respondents	Percentage
Self	76	38
Family	68	34
Friends	46	23
Dealers	10	5
Total	200	100

Table 10. Analysis of Chi-Square – Testing independency of two attributes.

Attributes	Chi – square values	Table value	Df	Remarks (Dependency or independency)	Hypothesis
Age group and awareness of SIP	13.8	7.82	3	Dependent	Rejected
Occupation and	28.14	9.488	4	Dependent	Rejected

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awareness of SIP					
Education and awareness of SIP	17.932	9.488	4	Dependent	Rejected
Gender and Awareness of SIP	3.74	3.84	1	Independent	Accepted
Marital status and factors influencing decision making	10.62	7.82	3	Dependent	Rejected
Gender and factors influencing decision making	6.47	7.82	3	Independent	Accepted

Table 11. Analysis of variance between educational level and source of information.

Source of Variation	SUM of squares	Degree of freedom	Mean Squares	F Ratio	Table value	Remarks	Hypothesis
SSC	443.2	4	110.8	3.02	3.01	Significant Variance	Rejected
SSR	364.8	4	91.2	2.49	3.01	No Significant Variance	Accepted
Residual error	586	16	36.62				
Total	1394	24					

Table 12. Analysis of variance between Occupation and Source of information.

Source of Variation	SUM of squares	Degree of freedom	Mean Squares	F Ratio	Table value	Remarks	Hypothesis
SSC	443.2	4	110.8	5.22	3.01	Significant Variance	Rejected
SSR	201.2	4	50.3	2.369	3.01	No Significant Variance	Accepted
Residual error	339.6	16	21.225				
Total	984	24					

Table 13. Analysis of variance between annual income and factors influencing decision making.

Source of Variation	SUM of squares	Degree of freedom	Mean Squares	F Ratio	Table value	Remarks	Hypothesis
SSC	654	3	218	5.27	3.86	Significant Variance	Rejected

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SSR	570	3	190	4.60	3.86	Significant Variance	Rejected
Residual error	372	9	41.3				
Total	1596	15					

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