



## A Study on Mutual Fund Investors' Behaviour

- With Special Reference to Pollachi Taluk  
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### ABSTRACT

*In recent times, mutual funds have become a hot favourite of millions of people all over the world. The driving force of mutual funds is the 'safety of the principal' guaranteed, plus the added advantage of capital appreciation together with the income earned in the form of interest or dividend. People prefer Mutual Funds to bank deposits, life insurance and even bonds because with a little money, they can get into the investment game. One can own a string of blue chips like ITC, TISCO, Reliance etc., through mutual funds. Thus, mutual funds act as a gateway to enter into big companies hitherto inaccessible to an ordinary investor with his small investment.*

### Key words:

mutual funds; investors Savings; Money

### INTRODUCTION

To state in simple words, a mutual fund collects the savings from small investors, invest them in Government and other corporate securities and earn income through interest and dividends, besides capital gains. It works on the principle of 'small drops of water make a big ocean'. For instance, if one has Rs.1000 to invest, it may not fetch very much on its own. But, when it is pooled with Rs.1000 each from a lot of other people, then,

one could create a 'big fund' large enough to invest in a wide varieties of shares and debentures on a commanding scale and thus, to enjoy the economies of large scale operations. Hence, a mutual fund is nothing but forms of collective investment. Hence, a mutual fund is nothing but a form of collective investment. It is formed by the coming together of a number of investors who transfer their surplus funds to a professionally qualified organization to manage it. To get the surplus funds from investors, the fund adopts a simple technique. Each fund is divided into a small fraction called "units" of equal value. Each investor is allocated units in proportion to the size of his investment. Thus, every investor, whether big or small, will have a stake in the fund and can enjoy the wide portfolio of the investment held by the fund. Hence, mutual funds enable millions of small and large investors to participate in and derive the benefit of the capital market growth. It has emerged as a popular vehicle of creation of wealth due to high return, lower cost and diversified risk.

The securities and Exchange Board of India (Mutual Funds) Regulations, 1993 defines a mutual fund as "a fund established in the form of a trust by a sponsor, to raise monies by the trustees through the sale of units to the public, under one or more



schemes, for investing in securities in accordance with these regulations”.

## MAJOR MUTUAL FUND COMPANIES IN INDIA

1. ABN AMRO Mutual Fund
2. Birla Sun Life Mutual Fund
3. Bank of Baroda Mutual Fund (BOB Mutual Fund)
4. HDFC Mutual Fund
5. HSBC Mutual Fund
6. ING Vysya Mutual Fund
7. Prudential ICICI Mutual Fund
8. Shara Mutual Fund
9. State Bank of India Mutual Fund
10. Tata Mutual Fund
11. Kotak Mahindra Mutual Fund
12. Unit Trust of India Mutual Fund
13. Reliance Mutual Fund
14. Standard Chartered Mutual Fund
15. Franklin Templeton India Mutual Fund
16. Morgan Stanley Mutual Fund India
17. Escorts Mutual Fund
18. Alliance Capital Mutual Fund
19. Benchmark Mutual Fund
20. Canbank Mutual Fund
21. Chola Mutual Funds
22. LIC Mutual Fund
23. GIC Mutual Fund
24. Lotus Mutual Fund
25. J.P. Morgan Mutual Fund
26. Quantum Mutual Fund.

## REVIEW OF LITERATURE

When the researcher has selected the title for his research, he has to gather information's form the research of other invigilators, who has made the research in the same topic (or) relevant to that and publish in his research report in the Title “Review of Literature” These Reviews may be collected from Various News papers, magazines, Books, reports etc.....

The various Reviews collected regarding this study are.

**Carlson (1970)** studied the “Risk adjusted Performance” of the international Mutual funds. He concluded that even though some of the funds have outperformed there was no consistency in performance.

**Friends and Blume (1970)** commented on the “Risk adjustment performance of measures of sharpe and Treynor” . There suggestion was that improved measures of mutualfund performance for any period could be obtained by adjusting earlier measures depending on the degree of risk.

**Robert E.Glen and Jack. D. (1988)** evaluated the “performance of international mutual funds” from the year 1982 – 1988. They found no evidence that the mutual funds either individually or as whole provided investors with their performance.

**Hendricks Patel and Zeekhavser (1993)** found that “mutual fund offers superior returns predominantly over a short period” of last four quarters. The study suggests that a strategy of selecting the top performers in the last four quarters significantly outperform the average returns in mutual funds.

A number of academies, professionals and journalists have written articles explaining the basic concepts of Mutual Funds, their characteristics, and reviewed the trends in the growth of Mutual Funds. It emphasizes the importance of Mutual Funds in the development of Indian Capital Market. The main objective of this study is to provide data on the investor preferences on Mutual Funds. The findings of this study are more appropriate to the Policy Makers and Mutual Funds to design the financial products for the future.

## STATEMENT OF THE PROBLEM

There are several public sector, private sector and foreign Mutual Funds operating in India offering investors a wide variety of schemes. Investment in Mutual Fund is made

with the twin objectives of higher return and diversified risk. Hence it is of considerable interest to know whether investors in mutual funds make investment with the knowledge of the schemes.

## OBJECTIVES OF THE STUDY

The various objectives of the study are

i) To identify the type of mutual fund preferred.

iii) To ascertain the awareness of investors about mutual funds.

## DATA AND SOURCES OF DATA

The study is based in primary data. The Data were collected from the investors who are residing in Pollachi, by means of well structured Questionnaires. Secondary Data were also collected from Magazines, Internet, SEBI Annual reports etc.,

## SAMPLING PROCEDURE

For the purpose of the study 122 respondents who have invested in Mutual Funds residing in Pollachi Taluk were selected by the convenience sample method.

## FRAME WORK OF ANALYSIS

### MUTUAL FUND PREFERRED

The Mutual Funds Preferred by the respondents is given in Table 1.

**Table 1**  
**Mutual Fund Preferred**

S. NO.	Mutual Fund Preferred	Number of Investors	Percentage
1	Public Sector mutual funds	52	42.62%
2	Privates sector mutual funds	48	39.34%
3	Foreign mutual funds	22	18.04%
	<b>Total</b>	<b>122</b>	<b>100%</b>

The data collected from the respondents were entered in the master table from which numbers of tables were prepared according to the needs of the study. The techniques used for the analysis of data are percentage, mean and Chi – squire test.

## SIGNIFICANCE OF THE STUDY

The significance of the study is, it helps the investors to know the Schemes of mutual funds which are more preferable by the investors and to diversify their investments to those preferable schemes. The study also helps to know the best mutual fund operator who is most preferable by majority of the investors in Pollachi Taluk.

## LIMITATIONS OF THE STUDY

The study is based upon the opinions expressed by the investors of Pollachi Taluk. The opinions of the investors are likely to vary over time. Further the investors of Pollachi Taluk alone are considered. So the results of the study cannot be generalized.

## ANALYSIS AND INTERPRETATION

An attempt has been made to identify mutual fund investor's behaviour. The following are the type of schemes preferred by the mutual fund investors and the results are summarized in the following table shown below.

Table 1 Reveals a Large Percentage of investors (42.62%) have preferred Public sector mutual funds. Next to it private sector mutual fund is preferred by 39.34%. Only 18.04% of the Investors have preferred foreign mutual funds.

### TYPE OF SCHEMES PREFERRED

The type of schemes preferred by the mutual fund investors is given in the table 3.2.

**Table –2**  
**Type of Schemes Preferred**

S. NO.	Type of scheme preferred	Number of Investors	Percentage
1	Open ended scheme	66	54.09%
2	Close ended scheme	40	32.79%
3	Both	16	13.12%
	Total	<b>122</b>	<b>100%</b>

Table 2 Reveals the majority of investors (54.09%) prefers open ended scheme. Next to that 32.79% of Investors prefers closed ended scheme 13.12% of investors prefers both the scheme.

### INVESTORS' AWARENESS ON MUTUAL FUNDS

The Mutual funds gains more importance in last ten years. The government and securities exchange Board of India takes

necessary steps to popularize the mutual funds among the investors. Due to that now all the commercial banks and post offices are selling the products of mutual funds.

### AWARENESS ON MUTUAL FUNDS

There are number of questions asked to the Investors to know about their awareness on mutual funds. They are as follows.

**Table 3**

S. No.	Questions asked	Response given by the investors		Total
		Yes	No	
1	Do you know that a mutual fund comes under the control of SEBI?	112	10	122
2	Do you know the SEBI guideline which governs the mutual funds?	21	101	122
3	Do you know that how the net asset values of the funds is calculated?	82	40	122
4	Do you know the various proportions of your money invested by the mutual fund operator in different securities?	21	101	122

5	Do you know that the SEBI allows mutual funds to launch gold exchange Bonds?	63	59	122
6	Do you know that SEBI allows Mutual Fund operators to invest in the foreign securities?	76	46	122

The table 3 shows that the investors are not more aware about mutual funds and the mutual fund operators should take necessary steps to create awareness about the mutual funds in the minds of investors.

### INVESTOR'S GRIEVANCES

Though mutual funds are more popular among the investors, they have

some grievances. When the question is asked to the investors that, Do you find any difficulty in dealing with mutual funds? Out of 122 investors 48 says "YES" and 74 says "NO". So more than 60 per cent of investor finds no difficulty in dealing with mutual funds.

The difficulties faced by remaining investors are as follows

**Table 4**

S.no.	Difficulties faced by Investors	Number of investors
1	High entry load	7
2	High exit load	6
3	Delay in redemption of units	15
4	Delay in getting payments	20
	Total	48

Out of 122 investors, 48 investors are facing some difficulties in dealing with mutual funds. Majority of the investors are facing the problem in getting the payments when dividends are declared. So the mutual funds operators should take steps for the quick and prompt payment of dividends.

### SUGGESTIONS

#### To Investor

The Investors should know all the risks about investing in particular fund and choose their fund before investing in it. They should not pool all their money in a single fund. They should diversify their money in to various funds to earn a better

yield. The investors should not shift from one fund to another often. They should see the mutual fund as a long term investment.

#### To Mutual Fund operators

The main difficulty that the investors are facing in investing in mutual funds is delay in payments at the time of distribution of dividend. Some of the investors feel it is taking more time for redemption of units. Some group of investors suffer from high entry and high exit loads. The fund operators should take necessary steps to rectify these mistakes so that they can expand their business to some more extent.



## To Government

There are many private mutual fund operators are in existing nowadays. So the Government should take proper legal activities to regulate the activities of all these mutual funds. The government should allow the leading mutual fund operators like UTI, SBI, Reliance, TATA etc... to invest the considerable proportion of their fund in foreign securities.

## CONCLUSION

We can earn wisely, save regularly and invest smartly in the Mutual funds so that we can satisfy all our financial and investment goals. There is awareness amongst the investors while investing in mutual funds. However the level of awareness will have to be enhanced for achieving a higher return from Mutual Funds.

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