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A Study on investor's awareness towards mutual funds in Shivamogga city

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ABSTRACT

Investors with specific financial objectives pool their money into mutual funds. The money raised from investors in the form of mutual funds is invested in a variety of capital market instruments according to the objectives of the mutual fund schemes. Profits and losses are shared among investors proportionate to their investment. Investors in mutual funds receive units based on the amount of money they have invested. Mutual fund investors are referred to as unit holders. For this reason, a mutual fund is the best choice for common investors since it offers affordable access to a wide range of diversified, expertly managed securities. The establishment of Unit Trust of India in 1963 pointed the emergence of the mutual fund industry in India. In 1993, this organization underwent a privatization. Registration of mutual fund with the Securities and Exchange Board of India (SEBI) is mandatory to deal in securities market. In this research paper, an effort is made to analyze investors awareness and satisfaction towards mutual funds in Shivamogga city. The data has gathered from respondents via questionnaires and the analysis depicts that most of the respondents had knowledge of mutual fund schemes. They had higher level perception and satisfaction regarding investment in mutual fund schemes.

Key Words: liquidity, portfolio, Multimedia, avenue, affordable

1 Introduction

Mutual funds have gained popularity recently and are now favored by millions of individuals worldwide. The "safety of the principal" guarantee, the potential for capital growth, and the dividends or interest from investment are the factors which motivate investors in mutual funds. People like mutual funds over bank deposits, post office deposits, bonds, and life insurance etc. Because, it provides safety, good return, quick liquidity, tax savings and a diversified selection of securities. It offers investors with a wide range of innovative investment options, such as sectoral funds, fixed maturity plans, exchange-traded funds, and fund-to-funds etc. and such unique features of mutual funds have been attracting attention of small and medium investors and gained their confidence. Thus, mutual funds industry helps millions of investors to engage in the Indian capital market and derive the benefit of its growth. As a result of it, mutual fund portfolio and mutual accounts

of small investors have been increasing in the Indian capital market. At the same time, mutual funds play a pivotal role in mobilization of savings and channelizing them to the productive sectors of the economy and contributing significantly to the economic growth of the nation.

The Concept of Mutual Fund

Mutual fund is a scheme to aggregate resources by offering units in securities to the investors and investing funds in line with the goals specified in the offer document. The profits from these investments split among the investors according to the number of units held by them.

Mutual Fund

A mutual fund is a collection of money from number of small investors which is expertly managed by the portfolio managers. It is invested in various securities such as stocks, bonds and capital market instruments and dividend or interest received from such investment is divided among the investors in accordance with their investment [E.Gordan & K. Natarajan]

Today in India, mutual fund sector is one of the most attractive investment opportunities for the medium and small investors who have minimum knowledge about investment opportunities in capital market.

2 Review of Literature

- ❖ **Bindo Kumar Sing (2011)** has conducted a research on investors attitude towards mutual funds and observed that the demographic variables such as gender, income and educational qualification have great impact on investors choice towards mutual funds.

He also perceived from the study that investors have been most attracting towards mutual funds on account of benefits like return potential, liquidity, flexibility, transparency, and affordability etc. provided by it.

- ❖ **Pritam P. Kothari and Shivganga C. Mindargi (2013)** have propounded that the mutual fund industry has been expanding at a larger scale in Indian capital market. Many plans have come up from different financial resource and investors have been attracted

towards these plans and schemes

- ❖ **Vikas Choudhary and Preeti Sehgal Chawla (2014)** have studied the performance evaluation of a few chosen diversified equity mutual funds in India and found that 75% of the diversified fund schemes outperformed the others in terms of average returns, while the remaining funds are showing lower returns
- ❖ **N. Bhagyasree and B. Kishori (2016)** have concluded that investors were receiving relatively secure returns from the mutual funds. They also pointed out that the investors require significant expertise and stable suspension to take decision regarding mutual fund investments in bonds, stocks, and other securities
- ❖ **Reepu (2017)** has observed that mutual fund allows investors to pool their money with which the investment manager would make diversified and systematic investment and attempt to attain results as per the investors objectives and allows investors to manage the risks of the

investment

❖ **K.R. Mary Jasmine and S Rabiyyathul Basariya (2018)**

have contended that mutual funds seek to give investors the simplest possible combination of income and risk.

They also pointed out that investment in mutual fund is less risky and provides with a steady return on investment and concluded that mutual funds are proved as best investment avenue for most of the investors.

3 Research Gap

An overview of literature states that the research on investors awareness and satisfaction towards mutual fund at district level is too scant and peripheral. The above brief review of literature has revealed that the gap in which the study is to be undertaken for the research. The foregoing studies concentrated only on the investors, attitude towards mutual funds, performance evaluation of mutual funds, systematic investment of money by the investment manager to manage the risk of the investment, expansion of mutual fund industry and upgradation of skills and technology for successful investment of mutual funds etc. So, it is felt that there is a need to undertake study on investors awareness and

satisfaction towards mutual fund in Shivamogga city.

Statement of the Problem

Mutual fund is an oldest form of investment avenue in India only for a few investors who had knowledge about capital market. It is fact that most of the small and medium investors had been remained ignorant due to lack of information regarding mutual funds from longback. But now a days, as found out from the analysis of data collected through questionnaire in the present study, a good number of small and medium investors have knowledge about mutual funds through multi-media and sales executives of units of mutual funds in research area.

4 Objectives of the study

- ❖ To study and evaluate the effect of different demographic aspects on investors awareness and satisfaction towards mutual funds.
- ❖ To study about various factors motivate on investors for investment in mutual fund

Hypothesis of the study

The following hypothesis have taken for the study of investors perception towards mutual funds.

1	HO	There is no association between demographic factors of respondents and awareness towards mutual funds.
2	HO	There is association between demographic factors of respondents and awareness towards mutual funds

5 Research Methodology

The present study based on survey method is descriptive in nature. The study intended to find out investors` awareness and satisfaction towards mutual funds in Shivamogga city. The present study is based on primary sources. The primary data was gathered from 63 respondents including under graduates, graduates and post graduate investors of mutual funds with help of the questionnaire and these respondents have been selected in Shivamogga city by sampling methods. The secondary data were gathered from the journals, books, and internet.

6 Data Analysis and Interpretation

Table -1: Age group wise classification of respondents.

Age	Frequency	Percentage
21 to 30 years	09	14
31 to 40 years	36	57
41 to 50 years	12	19
Above 50years	06	10
Total	63	100

Source: Primary Data

From the above table, it is clearly understood that 57% of the respondents in the age group between 31 to 40 years and 19% of the respondents in the age group between 41 to 50 years who have habit of investment and 14% of the respondents who are aged below 30 years do not have enough income to make investment, because the people in this age group are found to be employees of initial appointment.

Table-2: Gender wise classification of respondents

Gender	Frequency	Percentage
Male	51	81
Female	12	19
Total	63	100

Source: Primary Data

The above table reveals that 81% of the respondents are male and remaining 19% of the respondents are female.

Table-3: Marital Status of respondents

Marital Status	Frequency	Percentage
Married	53	84
Unmarried	10	16
Total	63	100

Source: Primary Data

It is visible from the above table that 84% of the respondents are married and 16% of the respondents are unmarried.

Table-4: Annual Income of respondents

Annual Income	Frequency	Percentage
Below 1 Lakh	05	08
1 to 3 Lakh	07	11
3 to 5 Lakh	21	33
10 Lakh & above	30	48
Total	63	100

Source: Primary Data

The above table shows that the annual income of 48% of the respondents is above Rs.10,00,000 and only 19% of the respondents have annual income upto RS.3,00,000.

Table-5: Education qualification of respondents

Education qualification	Frequency	Percentage
Under graduation	06	09
Graduation	30	48
Post graduation	27	43
Total	63	100

Source: Primary Data

This table depicts that 91% of the respondents are graduates and post graduates and only 9% of the respondents are under graduates.

Table-6: Occupation of respondents

Occupation	Frequency	Percentage
Employees	51	81
Professionals	06	10
Others	06	09
Total	63	100

Source: Primary Data

This table indicates that 81% of the respondents are employees and remaining 19% of the respondents includes professionals and others.

Table-7: Respondents level of awareness about mutual funds

Awareness	Frequency	Percentage
Not at all aware	06	10
Slightly aware	12	19
Somewhat aware	21	33
Moderately aware	12	19
Extremely aware	12	19
Total	63	100

Source: Primary Data

It is clearly indicated from the above table that 90% of the respondents are aware about mutual funds and only 10% of the respondents are unaware about mutual funds. So, majority of the respondents had awareness about mutual funds in Shivamogga city.

Table-8: Respondents source of awareness about mutual funds

Source of Awareness	Frequency	Percentage
Television	06	10
Friends / Relatives	09	14
Newspaper, Magazines & Internet	21	33
Sales representatives	27	43
Total	63	100

Source: Primary Data

This table states that 76% of the respondents have got information about mutual funds from newspapers, magazines, internet, and sale representatives of units of mutual funds and only 24% of the respondents have got information about mutual funds through television and friends / relatives.

Table-9: From whom respondents like to get units of mutual funds.

Institutions / Brokers / Executives	Frequency	Percentage
Banks	33	53
Financial institutions	12	19
Brokers	09	14
Sales executives	09	14
Total	63	100

Source: Primary Data

From this table, it is clearly understood that 72% of the respondents like to get units of mutual funds from banks and financial institutions and remaining 28% of the respondents like to get units of mutual funds through brokers and sales executives / agents.

Table-10: Respondents priority of institutions for investment in mutual funds

Type of Institutions	Frequency	Percentage
Unit Trust of India	06	09
Reliance company	06	09
State Bank of India	42	67

Canara Bank	06	10
HDFC	03	05
Total	63	100

Source: Primary Data

This table explains that 77% of the respondents are prefers to invest money in units of mutual funds offered by State Bank of India and Canara bank and only 23% of the respondents are prefers to invest money in units of mutual funds offered by UnitTrust of India, Reliance company and Housing Development Finance Corporation.

Table-11: Factors motivate on respondents for investment in mutual funds

Factors influenced to invest in Mutual funds	Frequency	Percentage
Higher return	27	43
Risk diversification	09	14
Tax savings	12	19
Liquidity	03	05
Easy withdrawal	03	05
Total	63	100

Source: Primary Data

This table clearly states that 43% of the respondents are motivated by higher return on investment in mutual funds, followed by 19% of the respondents are motivated by tax savings on investment in mutual funds.

Table-12: Respondents savings as investment

Percentage of income saved as investment	Frequency	Percentage
Less than 10%	24	38
10-20%	30	48
21-30%	06	09
31-40%	03	05
Total	63	100

Source: Primary Data

The above table describes that 86% of the respondents are save up to 20% of their income as investment and only 5% of the respondents are save 31-40% of their income as investment for future requirements.

Table-13: Respondents satisfaction level from existing mutual funds

(Where, 1-Highly Dissatisfied, 2-Dissatisfied, 3-Neutral, 4-Satisfied, 5-Highly Satisfied)

Sl. No.	Factors		HD	D	N	S	HS	Total
1	Services provided by agents	No	3	9	21	30	0	63
		%	5	14	33	48	0	100
2	Service provided by Private sectors Banks	No	3	9	21	30	0	63
		%	5	14	33	48	0	100
3	Services provided by Public Sector Banks	No	3	6	12	33	9	63
		%	5	10	19	52	14	100
4	Services provided by Asset Management Company	No	3	6	24	21	9	63
		%	5	10	38	33	14	100

Source: Primary Data

On over view of the table, it is understood that 66% of the respondents as investors of mutual funds are satisfied with the services provided by public sector banks, followed by 48% of the respondents as investors of mutual fund satisfied with the services provided by agents and private sector banks respectively.

Table-14: Perception of Mutual fund schemes among existing investors

(Where, 1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)

Sl. No.	Factors		SD	D	N	A	SA	Total
1	Mutual Funds are useful for small and	No.	3	6	6	39	9	63
		%	5	10	10	61	14	100

	medium Investors							
2	Mutual Funds give higher return than other investments	No.	3	6	12	33	9	63
		%	5	10	19	52	14	100
3	Mutual Funds with large corpus fund perform better	No.	3	3	24	24	9	63
		%	5	5	38	38	14	100
4	Mutual Funds of Public sector is more secured than private sector.	No.	3	9	3	36	12	63
		%	5	14	5	57	19	100
5	Mutual Funds of Public Sector perform better	No.	3	9	6	33	12	63
		%	5	14	10	52	19	100
6	Mutual Funds provide easy withdrawal facility	No.	3	3	21	21	15	63
		%	5	5	33	33	24	100
7	Mutual Funds provide better tax benefits	No.	3	6	15	24	15	63
		%	5	9	24	38	24	100
8	Investment in capital market through Mutual Funds reduces risk level.	No.	6	9	12	30	6	63
		%	10	14	19	47	10	100

Source: Primary Data

The above table indicates that

- ❖ 75% of the investors as respondents accepted that mutual funds are beneficial for small and medium investors and only 15% of the investors as respondents disagreed that mutual funds are beneficial for small investors.
- ❖ 66% of the investors as respondents agreed that mutual funds yield higher return than any other investments and only 15% of the investors as respondents disagreed that mutual funds yield higher return than any other investments.
- ❖ 52% of the investors as respondents are agreed that mutual funds perform better with large corpus fund. while 10% of the respondents as investors have disagreed it.
- ❖ 76% of the respondents as investors agreed that mutual funds of public sector are more secured than mutual funds of private sector and only 19% of the respondents as investors are disagreed that mutual funds public sector are more secured than mutual funds of private sector.
- ❖ 71% of the respondents as investors are agreed that mutual funds of public sector

- perform better and 19% of the respondents as investors are disagreed that mutual funds of public sector perform better.
- ❖ 57% of the investors as respondents are agreed that mutual funds provide easy withdrawal facility. While, 10% of the investors as respondents are disagreed it.
 - ❖ 62% of the investors as respondents are disagreed that mutual funds provide better tax benefits. While, 14% of the investors as respondents are disagreed it.
 - ❖ 57% of the investors as respondents are agreed that investment of mutual funds in capital market reduces risk level and 24% of the respondents as investors are disagreed that investment of mutual funds in capital market reduces risk level.

Table-15: Investors suggestion for others to invest in mutual funds

Suggestion	Frequency	Percentage
Yes	51	81
No	12	19
Total	63	100

Source: Primary Data

This table specifies that 81% of the respondents as investors are ready to suggest others to invest in mutual funds, whereas 19% of the respondents as investors are not ready to do so.

Hypothesis testing

Table -16 One Sample T- Test results

Perception of mutual fund schemes among existing investors							
Variable	Mean	Mean Difference	Std Deviation	Std Error Mean	T	Sig. (2-tailed)	Decision Made (Null)
Overall Perception Level	3.6131	0.61310	.90605	.11415	5.371	0.000	Rejected
Test Value 3, at 95% confidence interval, n=63 and df=62							

Source: SPSS out put

The above table sixteenth explores the one sample t-test results of overall perception level of mutual funds among existing investors, mean=3.61, standard deviation = 0.906, $t=5.371$, with $63(n-1)$ degrees of freedom 62 and p value is 0.000. Because of this, p value is less than 0.05, so it is considered statically significant. As a result, alternative hypothesis is accepted and null hypothesis is rejected. Thus, the study reveals that ‘there is better awareness and satisfaction about mutual funds among existing investors’

7 Findings

- ❖ It is observed that large number of small and medium investors are accepted mutual funds as better investment avenue.
- ❖ It is observed that large number of investors are motivated to invest in mutual funds due to less risk and higher return than other investments.
- ❖ It is observed that large number of the investors have knowledge about mutual funds.
- ❖ It is observed that investors are like to get units of mutual funds from banks and financial institutions of public sector.
- ❖ It is observed that large number of the investors are satisfied with

the performance of mutual funds of the public sector.

8 Suggestion

Since, mutual fund collected from the investors is invests in the capital market. It is necessary to provide enough knowledge to investors about capital market instruments, criteria for investments in capital market, operation system of mutual funds, sellers, and buyers of capital market instruments etc., in addition to the present awareness on mutual fund.

9 Conclusion

From the above study, it is clearly understood that the demographic factors have significantly influence the investor to acquire awareness about mutual funds. Moreover, most favorable features of mutual fund as perceived by the people are return potential, liquidity, less risk, flexibility, tax savings and affordability etc., have been playing a pivotal role in attracting all types of investors towards mutual fund.

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