



Investors' Awareness on Mutual Funds Services in Coimbatore District

Dr. P.N. Raghunathan

Asst. Professor, Department of Business Administration,
Government Arts College, Coimbatore, India.

ABSTRACT

This study highlights about the Investors awareness about the mutual fund services. In general it is described what is mutual fund and challenges in that. Main objectives of this study are to know the level of awareness of the investors and sources of knowledge and to find problems faced by the investors in the study area. Systematic research method was adopted to do the research and data was collected. Data was analyzed with analytical tools. After the analysis findings and suggestions was drawn with due care. Findings and suggestions will be useful to investors as well as the service providers.

Keywords: Mutual Fund Services, Investments, Investors, Investment Plan.

1. INTRODUCTION

Definition

According to Securities and Exchange Board of India regulations “mutual fund means a fund established in the form of trust by a sponsor to rise money by the trustee through sale of units to the public under one or more schemes for investing or securities in accordance with the regulation thus a mutual fund collects money from the investors issues certificates to them known as units and invests the money collected in securities so as to achieve mutual benefit in terms of capital appreciates in such securities.

The Indian financial market today is one of the fastest growing emerging markets of the world. The new government policy of economic liberalization, deregulation and measures of restructuring the economy, has dismantled entry barriers in the financial market and created an environment for efficient allocation of resources. One of the new economic scenes is the mutual fund industry, which has emerged as the most dynamic segment of the Indian financial system. Through out the world, mutual funds have played a very significant role as financial intermediaries and have contributed to the development of capital markets and the growth of the corporate sector.

Though the mutual fund industry in India is relatively new, it has grown rapidly influencing various sectors of the financial market and the national economy. Till 1987, the Unit Trust of India (UTI) was the only mutual fund in India. The industry witnessed an unprecedented level of growth with the entry of public sector mutual funds, sponsored by nationalized banks and insurance companies, in 1987. The mutual fund activity attained momentum in 1993 with the opening up of the industry to private sector fund operators.

After an enthusiastic beginning Indian mutual funds lost their momentum and slowed down after 1994-95. The industry showed sluggish growth in spite of market reforms inducements to competition, increased operational transparency. And it is an expanding savings market. The overall macro-economic uncertainties, particularly the fluctuating stock markets have had an adverse impact on mutual fund

resource mobilization. This has affected the private sector considerably, unlike the public sector mutual funds and UTI does not have government resources to full back.

Indian financial system has witnessed revolutionary changes, developments and innovations since 1991 due to economic reforms undertaken by the government. With the advent of liberalization, privatization and globalization, the financial services sector has become more dynamic and vibrant. Many innovative methods of finance products, services, business and regulatory bodies have emerged to make the Indian capital market more liquid and strong to face the global challenges. Emergence of increasing role of mutual fund industry in financial intermediation is one such development following the structural reforms initiated in the Indian economy.

Challenges Facing Mutual Funds

There are many Challenges Facing Mutual Funds which is of prime concern to the people who have an investment indulge.

People find mutual fund investment so much interesting because they think they can gain high rate of return by diversifying their investment and risk. But, in reality this scope of high rate of returns is just one side of the coin. On the other side, there is the harsh reality of highly Fluctuating Rate of Returns. Though there are other disadvantages also, this concern of fluctuating returns is most possibly the greatest challenge faced by the mutual fund.

The Issue of Fluctuating Returns

In spite of being a diversified investment solution, mutual funds investment in no way guarantees any return. If the market prices of major shares and bonds fall, then the value of mutual fund shares are sure to go down, no matter how diversified the mutual fund portfolio be. It can be said that mutual fund investment is somewhat lower risky than **Direct Investment** in stocks. But, every time a person invests in mutual fund, he unavoidably carries the risk of losing money.

The Other Challenges

Diversification or Over Diversification- In order to diversify the investment, many times the mutual fund companies get involved in **Over Diversification**. The risk of holding a single financial security is removed by diversification. But, in case of over diversification, investors diversify so much that many time they end up with investing in funds that are highly related and thus the benefit of risk diversification is ruled out.

2. RECENT TREND IN MUTUAL FUND INDUSTRY

The most important trend in the mutual fund industry is the aggressive expansion of the foreign-owned mutual fund companies and the decline of the companies floated by nationalized banks and smaller private sector players. Private players have been largely dependent upon big customers and have generally failed to get retail. Many nationalized banks got into the mutual fund business in the early nineties prevailing then. These banks did not really understand the mutual fund business and they just viewed it as another kind of banking activity. Few hired specialized staff and generally chose to transfer staff from the parent organizations. The performance of most of the schemes floated by these funds was not good. Some schemes had offered guaranteed returns and their parent organizations had to bail out this

Asset Management Company (AMC) by paying large amounts of money as the difference between the guaranteed and actual returns. The service levels were also very poor. Most of these Asset Management Companies' (AMC) have not been able to retain staff, float new schemes etc. and it is doubtful whether, barring a few exceptions, they have serious plans of continuing the activity in a major way. The experience of some of the Asset Management Company (AMC) floated by private sector Indian companies was also very similar. They quickly realized that the Asset Management Company (AMC) business is a business, which makes money in the long term and requires deep-pocketed support in the intermediate years. Some have sold out to foreign owned companies, some have merged with others and there is general restructuring going on.

The foreign owned companies have deep pockets and have come in here with the expectation of a long haul. They can be credited with introducing many new practices such as new product innovation, sharp improvement in service standards and disclosure, usage of technology, broker education and support etc. In fact, they have forced the industry to upgrade itself and service levels of organizations like UTI have improved dramatically in the last few years in response to the competition provided by them. Those directly associated with the fund management industry like distributors, registrars and transfer agents and even the regulators have become more mature and responsible. Considering the changing trend in the capital market, the funds have shifted their focus to the recession-free sector like Pharma, FMCG etc. Mutual funds are now also competing with commercial banks in the race to retain investor's savings and corporate float money. It is just that mutual funds are going to change the way banks do business in the future.

But right now it is in down trend may be raised after the parliament election 2014. This is what the expectation of the investors too.

3. OBJECTIVES OF THE STUDY

- To know the investors awareness about mutual funds & mutual fund services in the study area.
- To identify and suggest the best media for advertisement.
- To find the problems faced by mutual fund investors.

4. RESEARCH METHODOLOGY

A Research methodology forms the framework of the entire research process. This includes the necessary information about materials, techniques for the collection of data appropriate to particular problem, statistics, questionnaires and controlled experimentation and in recording evidence sorting it out and interpreting it.

5. RESEARCH DESIGN

Research Design constitutes the blue print for the collection, measurement and analysis of data.

Descriptive Research

It includes surveys and fact-finding enquiries of different kind. The major purpose of descriptive research is description of the state of affairs, as it exists at present. The methods of research utilized in descriptive research are survey method of all kinds including comparative and correctional methods.

Sample Size and Procedure

The respondents have been identified using census method. The respondents are the mutual fund investors in Coimbatore. 500 respondents were selected for the study and the data collected were processed systematically.

Data Collection

The validity of any research is based on the systematic collection of data and analysis. The study used both primary as well as secondary data.

Primary Data

The primary data was collected from investors in Coimbatore. A well-structured questionnaire was used as a tool for collecting the Primary data from 500 respondents.

Secondary Data

Secondary data was collected through various sources such as journals, past records from the company reports and websites.

Pilot Study

A well structured questionnaire was framed by covering personal data, awareness of mutual funds, reason for investing in mutual funds, problems and suggestions etc.

Tools for Analysis

The collected data were classified into suitable tabular forms for analysis and interpretation. Mainly three types of tools used for data analysis and interpretation. They are

➤ Simple Percentage method.

Percentage Method

$$\text{Percentage} = \frac{\text{No of respondents in each group}}{\text{Total Respondents}} \times 100$$

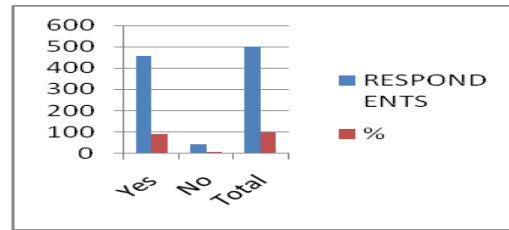
6. ANALYSIS AND INTERPRETATION

An attempt at the level of the respondents' awareness, preferences, and the problems faced by them in the Coimbatore district were studied. The details of the study with their respective percentage analysis are as follows.

The selected sample respondents were asked to fill their appropriate answers for the questions given. Here the respondents were asked whether they were aware about the mutual fund. The opinion of the respondents is given below.

Table – 1 Awareness of the Mutual Fund

Awareness	Respondents	%
Yes	458	91.6
No	42	8.4
Total	500	100.0



Inference

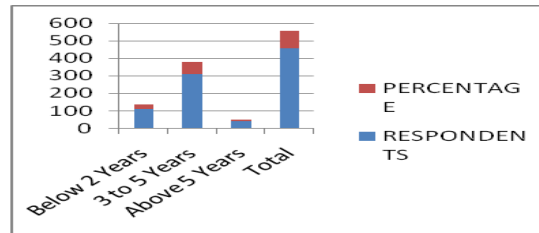
It is observed from the above table that 91.6 percent of the respondents were having awareness about mutual funds and only 8.4 percent were not having awareness about it.

6.1 Number of Year Aware the Mutual Funds

The period of awareness of the department stores of the study area was classified into three categories such as ‘less than 2 years’, ‘3 to 5 years’ and ‘above 5 years’. The details of the analysis are given below.

Table – 2 Number of Year Aware the Mutual Funds

Years of Awareness	Respondents	%
Up to 2 Years	110	24.01
3 to 5 Years	310	67.69
5 Years & above	38	8.3
Total	458	100



Inference

It is found from the above table that 67.69 percent of the respondents were aware of mutual funds 3 to 5 years. Followed by 24.01 percent of the respondents’ awareness period was less than 2 years and only 8.03 percent were having more than 5 years of awareness.

6.2 Knowledge about Number of Mutual Fund Distributors in Coimbatore

An attempt was made to study the knowledge of the investors’ about the department stores located in Coimbatore. The following table shows the details of knowledge about the different mutual fund distributions in Coimbatore district among the selected sample respondents of the study area.

Table – 3 Knowledge about Number of Mutual Fund Distributors in Coimbatore

No. of Distributors	Respondents	Percentage
Up to 2	105	21
3 to 5	327	65.4
5 years & Above	68	13.6
Total	500	100

Inference

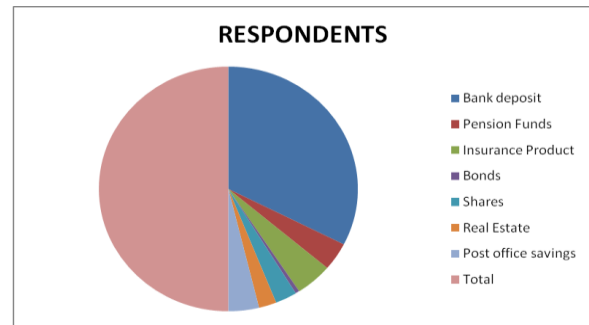
It is observed from the above table that 65.4 percent of the respondents were well-known about 3 to 5 mutual fund distributors in Coimbatore district. Followed by 21 percent were having awareness less than 2 distributions and 13.6 percent of the respondents were aware about more than five distributors.

6.3 General Mode of Investment

An attempt made to know the general mode of investment preferred by the selected respondents in the study area. The preferred mode of investment details are given below.

Table – 4 General Mode of Investment

Mode of Investment	Respondents	%
Bank deposit	325	65
Pension Funds	37	7.4
Insurance Product	46	9.2
Bonds	5	1
Shares	27	5.4
Real Estate	22	4.4
Post office savings	38	7.6
Total	500	100



Inference

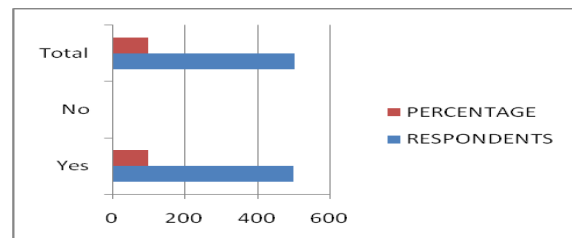
It is inferred from the above table that 65 percent of the respondents preferred bank deposits. Followed by 9.2 percent preferred insurance products, 4 percent preferred pension funds, 7.6 percent preferred post office savings, 5.4 percent were interested in shares, 4.4 percent in real estate and meager percent of the investors preferred bonds.

6.4 Seen any Advertisement of Mutual Funds

The selected respondents were asked whether they have seen any advertisement about mutual fund and its services. The opinions of the respondents are given below.

Table – 5 Seen any Advertisement of Mutual Funds

Particulars	Respondents	%
Yes	497	99.4
No	3	.6
Total	500	100.0



Inference

It is found from the above table that majority of the respondents 99.4 percent of the respondents opined that they have seen mutual fund advertisement and only 0.6 percent opined that they have not seen any advertisement.

6.5 Seen Advertisement of Mutual Funds through which Media

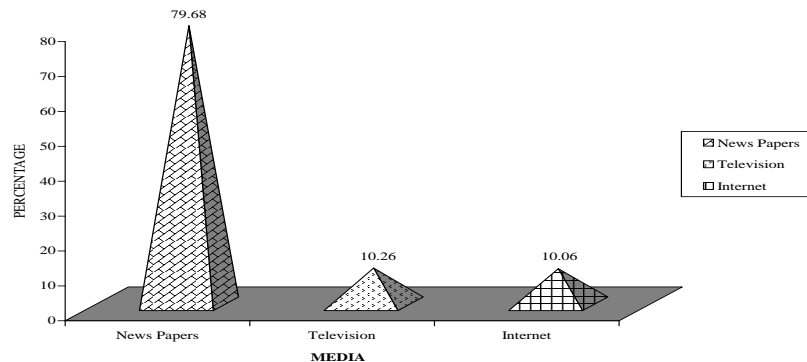
The respondents were asked to express their views about the medium of the advertisement through which they have seen the advertisement regarding the mutual funds. For this purpose the major media like ‘newspaper’, ‘television’, and ‘internet’ was chosen. The following table gives the details of the medium of advertisement that influenced the respondents.

Table – 6 Seen Advertisement of Mutual Funds through which Media

Media	Respondents	Percentage
News Papers	396	79.68
Television	51	10.26
Internet	50	10.06
Total	497	100

Inference

It is found from the above table that 79.68 percent of the respondents have seen mutual fund advertisement through news papers. Followed by 10.26 percent of the respondents have seen through television and 10.06% through internet.



6.6 Opinion about the Problems Faced by the Investors

An attempt was made to identify whether the investors faced any problems while availing mutual fund services in the study area. The opinion of the respondents is given below.

Table – 7 Opinion about the Problems Faced by the Investors

Opinion	Respondents	Percentage
Yes	44	8.8
No	456	91.2
Total	500	100.0

Inference

It is highlighted from the above table that 91.2 percent of the respondents opinioned that they have not faced any problem with regard to mutual fund services in the study area and only 8.8 percent respondents opinioned that they have faced certain problems.

6.7 Opinion about Various Problems Faced by the Investors

An attempt was made to identify the problems faced by the investors while availing the mutual fund services in the study area. For this purpose the major problems faced by them were classified. They are 'Complaint Redressal', 'Pleasant Atmosphere', 'Friendliness', 'Quick Service', 'Employee Co-Operation', and 'Information about the market' and 'customer care'. The selected respondents were asked to fill up their appropriate answer to the question. The distribution of the sample respondents according to their problems in utilizing the department stores is given in the following table.

Table – 8 Opinion about Various Problems Faced by the Investors

Factors	Rank
Complaint Redressal	I
Pleasant Atmosphere	II
Friendliness	V
Quick Service	III
Employee Co-Operation	II
Timely Information about the market	IV

Inference

It could be seen from the above table that among the six problems mentioned above was ranked by the customers, the problem 'Complaint Redressal' is ranked first. Followed by the factors 'Pleasant Atmosphere' and 'Employee Co-Operation' ranked second. The 'Quick Service' is ranked third. The 'Timely Information about the market' is ranked fourth. The 'Friendliness' is ranked fifth.

7. FINDINGS

- 91.6 percent of the respondents are aware of mutual funds and its services.
- 68 percent of the respondents' period of awareness is 3 to 5 years.
- Majority of the respondents having knowledge about mutual funds distributors in the study area.
- Most of the investors' mode of investment preference other than mutual funds is 'bank deposits'.
- Most of the respondents are preferred mutual funds due to assured return and less risk.
- 99.4 percent of the respondents have seen advertisement of mutual funds, and among them 79.8 percent of the respondents have seen mutual fund advertisement through news papers.
- 91.2 percent of the respondents' opinion is that they do not have any problem while availing mutual fund services. And very meager percent of the respondents' opinion is that Complaint redressal as the prime problem.

8. SUGGESTIONS

- It is suggested that the service providers may concentrate more on advertisement through mass media such as print media (news papers and magazines) and electronic media like local cable Television & Radio.
- It is suggested to the service providers that more attention is needed to improve a well-established infrastructure with adequate space.
- It is strongly suggested that mutual funds distributors may appoint experienced personnel to give better services to their clients and to overcome the complaint redressal grievances of the clients. Through this process they could satisfy the investors and cover all category people.
- The company may implement online customer service and provide timely tips, information about the market trend to attract the clients and help them to take timely decisions. This will facilitate to cover and attract more people irrespective of the geographical limitations, and to make them aware and invest accurately.

9. CONCLUSION

The study helps to provide possible suggestions to improve the overall personality of the mutual fund services. Only a few problems are found that are also minor to consider. If the suggestions are considered and implemented by the service providers in this study area will be a best reward to the researcher. And they can get the competitive advantages and retain the clients with fullest cooperation. Thus, if the necessary action taken by the service providers sure it will facilitate and motivate the people to invest on mutual funds and utilise the mutual funds services in the study area, so that the investor as well as service providers can get more benefits. Since it is a systematic research the result of the analyses may be applicable to other part of our country too.

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