Impact Factor : 1.883 Peer-Reviewed Journal ISSN : 2278 – 5639
Global Online Electronic International Interdisciplinary Research Journal (GOEIIRJ)
{Bi-Monthly} Volume – IV, Issue – IV December 2015

Research Paper

STUDY ON STATUS OF AWARENESS AMONG MUTUAL FUND INVESTORS IN NANDED CITY OF MAHARASHTRA

Author : Mr. Rushikesh Kakandikar,
Assistant Professor,
Department of MBA,
Dnyanganga (ZEAL) College of Engineering & Research, Narhe, Pune.
Co-Author : Dr. S. G. Losarwar,
Director,
Rajarshi Shahu Institute of Management, Aurangabad.

Abstract:

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Keywords : Mutual Fund, Financial Goal, Financial System, Portfolio Managers, Investment Policy, AMFI, SEBI, Fact Sheets,

INTRODUCTION

WHAT IS A MUTUAL FUND?

A mutual fund pools the money of people with similar investment goals. The money in turn is invested in various securities depending on the objectives of the mutual fund scheme. The profits (or loss) from such investments are shared among investors in proportion to their investments. Thus, depending on your investment horizon, risk tolerance and required rate of return, you can choose from mutual fund schemes that are:

1. Fixed income oriented, i.e. those that do not invest in shares, but focus on fixed income instruments
2. Equity oriented i.e. those that invest predominantly in shares

3. Hybrid i.e. invest in a combination of equity and fixed income instruments

A mutual fund scheme normally issue units at Rs.10 during the initial offer. Thereafter, the profits (or loss) on your investment is reflected in the Net Asset Value (NAV) of the mutual fund scheme. The NAV is the actual value of a unit of a scheme on a given day. Open end schemes allow you to buy fresh units or sell your existing units back to the fund on any working day at a NAV based price.

ADVANTAGES OF INVESTING IN MUTUAL FUND:-

1. Investment Options for different investors and Investment needs:

1. Debt Funds for regular income
2. Equity Funds for growth of your capital
3. There are various kinds of funds designed to meet different investment needs; Mutual Funds offer investment options ranging from a day to a decade or more.
4. There are options available for the most risk adverse investor and extremely aggressive investor.
5. Individuals, Corporate, HUF'S, Trusts and NRI'S can invest and benefit from Mutual Funds.

2. Gain from professional management & risk control

1. Mutual Funds are the ideal investment vehicles that allow you to benefit from the market, since they typically offer market linked or above market average returns.
2. Mutual Funds are not only managed professionally, but also extensively regulated by SEBI.

3. Liquidity

1. Maximum liquidity when compared with any other investment option.

4. Convenience

1. Flexibility in the amount of Investment.
2. Flexibility in the frequency of Investment.
3. Choice of time-horizon of investment:

   Short Term   Medium Term   Long Term
4. Choice of type of Investment:

   Debt   Equity   Balanced
5. Easy to switch between different schemes/ plans (investor can shift from debt to equity markets and from equity to debt).
6. Different options available for investments:

   Dividends   Growth

7. Option to invest and withdraw systematically over a period of time.

5. Transparency

1. Mutual Fund investing is really simple and transparent.
2. Regular updates from fund houses
3. Portfolio disclosures necessary as per SEBI regulations.

6. Easy to Buy and Sell

1. All it takes is an application form of the fund one wishes to invest in, rest will be taken care by the advisors.
2. Redemption request is processed normally with in 3 working days.

7. Tax Benefits

1. No tax on the dividends in the hands of the investor (Debt funds -12.81% (12.5% distribution tax plus 2.5%) dividend tax paid by the fund before distribution of dividends)
2. No dividend distribution tax for equity mutual funds (completely tax free dividends).
3. Tax liability only when investment is redeemed /withdrawn (not every year)
4. Long term capital gains tax benefits

DISADVANTAGES OF INVESTING IN MUTUAL FUND :-

1. **No Guarantees:**

   No investment is risk free. If the entire stock market declines in value, the value of mutual fund shares will go down as well, no matter how balanced the portfolio. Investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their own. However, anyone who invests through a mutual fund runs the risk of losing money.

2. **Fees and commissions:**

   All funds charge administrative fees to cover their day-to-day expenses. Some funds also charge sales commissions or “loads” to compensate brokers, financial consultants, or financial planners. Even if you don't use a broker or other financial adviser, you will pay a sales commission if you buy shares in a Load Fund.

3. **Taxes:**

   During a typical year, most actively managed mutual funds sell anywhere from 20 to 70 percent of the securities in their portfolios. If your fund makes a profit on its sales, you will pay taxes on the income you receive, even if you reinvest the money you made.

WHAT ARE THE TYPES OF MUTUAL FUND?

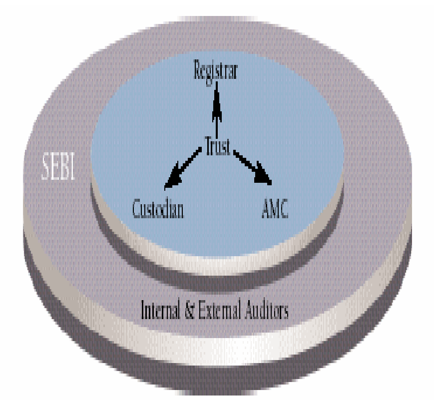
Mutual funds can be classified based on their objectives as:-

1. **Sector Equity Schemes:** These schemes invest in shares of companies in a specific sector.
2. **Diversified Equity Schemes:** These schemes invest in shares of companies across different sectors of the economy.
3. **Hybrid Schemes:** These schemes invest in a mix of shares and fixed income instruments.
4. **Income Schemes:** These schemes invest in fixed income instruments such as bonds issued by corporate and financial institutions, and government securities.
5. **Liquid/Money Market Schemes: These schemes invest in short-term** instruments such as certificate of deposits, treasury bills and short-term bonds.

HOW IS MUTUAL FUND STRACTURED?

A mutual fund is set up as a trust or trustee company and may be sponsored by individuals or corporate.

SEBI has prescribed the duties and responsibilities of the trustees/board of directors of the trustee company, which includes appointing an Asset Management Company (AMC) to manage the assets of the various schemes floated by it. The assets of the various schemes are held in custody of a SEBI approved custodian and all purchases/sales of securities by the AMC are routed through the custodian. All these entities — the fund, AMC, custodian etc. are governed by SEBI (Mutual Funds) Regulations and each of them have separate internal and external auditors, in addition to special SEBI inspections, to ensure that they work in line with SEBI Regulations and in the best interest of investors.



WHAT ARE THE BENEFITS OF INVESTING IN MUTUAL FUND?

As opposed to investing directly in different asset classes, accessing them through a mutual fund has several advantages:-

1. **Professional Management:-**

Your money is managed by professionals who have the experience and resources to thoroughly analyze the economy and financial markets, and spot good opportunities.

2. **Diversification:-**

With smaller amounts, you can achieve a higher degree of diversification and reduce your risk.

3. **Liquidity and Convenience:-**

Investing and getting back your money is easy. Also, there is very little paper work, and it is very easy to track and monitor your investments.

4. **Tax Benefits:-**

Some mutual fund schemes offer you tax rebates under Section 88. In addition, your returns from mutual funds (dividends and capital appreciation) are also eligible for favorable tax treatment.

RISKS ASSOCIATED WITH MUTUAL FUNDS:-

The price of a security may be affected because of the overall sentiment in the market. Sentiment means how most people in the market fell.

1. ECONOMIC RISK

The price of securities may fluctuate because the expectation about the national economy whether the economy as a whole is slowing to other competing economies.

2. INTEREST RATE RISK

Changes in interest rate (which occur due to changes in supply and demand for money) influences securities process. In case of fixed income securities, the impact is direct. If interest rate rises, price falls and vice versa. Fall in interest rate may benefit share prices because cost of funds to companies may move down, hence their profit may go up.

3. CREDIT RISK

The risk of failure on part of a borrower to meet interest and principal amount obligations.

4. REGULATORY RISK

Price of securities may be affected due to changes in law, procedures, import export policy etc.

5. INDUSTRY RISK

A particular security may be affected due to certain developments peculiar to that industry.

Impact Factor : 1.883 Peer-Reviewed Journal ISSN : 2278 – 5639
Global Online Electronic International Interdisciplinary Research Journal (GOEIIRJ)
{Bi-Monthly} Volume – IV, Issue – IV December 2015

6. TECHNOLOGY RISK

Discovery of new processes or radical changes in technology used by certain companies may affect prices of shares of that company. This is also known as risk of obsolescence.

7. ENVIRONMENTAL RISK

Certain companies may be adversely affected because of certain restriction imposed on them by the authorities for protection of the environment.

8. EVENT RISK

Some times an event such as an accident or an earthquake may influences prices of securities because the event may cripple the operations of a company temporarily or permanently.

9. COUNTRY RISK

A country in financial difficulty may impose restriction on trade and capital flows affecting investments made in that country.

SYSTEMATIC INVESTMENT PLAN

This is an investment technique where you deposit a fixed, small amount regularly into the mutual fund scheme (every month or quarter as per your convenience) at the prevailing NAV (net assets value), subject to applicable load.

A systematic investment plan offers two major benefits to an investor. It avoids lump sum investment at one point of time in a scenario of falling prices; it reduces your overall cost of acquisition by a process of rupee cost averaging. This means that at lower prices you end up getting more units for the same investment.

OBJECTIVES:-

1. To understand concept and functionality of Indian Mutual Funds
2. To study various aspects of Mutual Fund Industry
3. To select best performing Funds from six Leading AMCs (Asset Management Company)
4. Analysis and Comparison OF funds: Total comparison of funds with their benchmark index, sector, companies and other funds for last five years.
5. To evaluate investment performance of selected mutual funds in terms of risk and return.
6. Also to analyze the performance of mutual fund schemes on the basis of various parameters.

TYPES OF MUTUAL FUNDS SCHEME IN INDIA

Wide variety of Mutual Fund Schemes exists to cater to the needs such as financial position, risk tolerance and return expectations etc. The table below gives an overview into the

Impact Factor : 1.883 Peer-Reviewed Journal ISSN : 2278 – 5639
Global Online Electronic International Interdisciplinary Research Journal (GOEIIRJ)
{Bi-Monthly} Volume – IV, Issue – IV December 2015

existing types of schemes in the Industry.

I. By Structure:-

1. Open - Ended Schemes,
2. Close - Ended Schemes,
3. Interval Schemes.

II. By Investment Objective:-

1. Growth Schemes,
2. Income Schemes,
3. Balanced Schemes,
4. Money Market Schemes,

III. Other Schemes:-

1. Tax Saving Schemes,
2. Special Schemes,
3. Index Schemes,
4. Sector Specific.

SCHEMES BY STRUCTURE IN DETAIL

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

1. Open-ended Fund/ Scheme :-

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity.

2. Close-ended Fund/ Scheme :-

A close-ended fund or scheme has a stipulated maturity 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. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close-ended funds give

Schemes according to Investment Objective In Detail :-

A scheme can also be classified as growth scheme, income scheme, or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

1. Growth / Equity Oriented Scheme :-

The aim of growth funds is to provide capital appreciation over the medium to long- term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc. and the investors may choose an option depending on their preferences. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date

2. 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. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about these fluctuations.

3. Balanced Scheme :-

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. They generally invest 40-60% in equity and debt instruments. These funds are also affected because of fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds.

4. Money Market or Liquid Fund Schemes :-

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, certificates of deposit, commercial paper and inter-

Impact Factor : 1.883 Peer-Reviewed Journal ISSN : 2278 – 5639
Global Online Electronic International Interdisciplinary Research Journal (GOEIIRJ)
{Bi-Monthly} Volume – IV, Issue – IV December 2015

bank call money, government securities, etc. Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.

Other Schemes In Detail :-

1.Gilt Funds :-

These funds invest exclusively in government securities. Government securities have no default risk. NAVs of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

2.Index Funds :-

Index Funds replicate the portfolio of a particular index such as the BSE Sensitive index, S&P NSE 50 index (Nifty), etc These schemes invest in the securities in the same weight age comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme. There are also exchange traded index funds launched by the mutual funds which are traded on the stock exchanges.

3.Load And No-load Fund :-

A Load Fund is one that charges a percentage of NAV for entry or exit. That is, each time one buys or sells units in the fund, a charge will be payable. This charge is used by the mutual fund for marketing and distribution expenses. Suppose the NAV per unit is Rs.10. If the entry as well as exit load charged is 1%, then the investors who buy would be required to pay Rs.10.10 and those who offer their units for repurchase to the mutual fund will get only Rs.9.90 per unit. The investors should take the loads into consideration while making investment as these affect their yields/returns. However, the investors should also consider the performance track record and service standards of the mutual fund which are more important. Efficient funds may give higher returns in spite of loads.

A no-load fund is one that does not charge for entry or exit. It means the investors can enter the fund/scheme at NAV and no additional charges are payable on purchase or sale of units.

4.Tax Saving Schemes :-

These schemes offer tax rebates to the investors under specific provisions of the Income Tax

Impact Factor : 1.883 Peer-Reviewed Journal ISSN : 2278 – 5639
Global Online Electronic International Interdisciplinary Research Journal (GOEIIRJ)
{Bi-Monthly} Volume – IV, Issue – IV December 2015

Act, 1961 as the Government offers tax incentives for investment in specified avenues. e.g. Equity Linked Savings Schemes (ELSS). Pension schemes launched by the mutual funds also offer tax benefits. These schemes are growth oriented and invest pre-dominantly in equities. Their growth opportunities and risks associated are like any equity-oriented scheme.

REGULATORY BODY OF MUTUAL FUND

To protect the interest of the investors, SEBI formulates policies and regulate the mutual fund. It notified regulations in 1993 and issues guideline from time to time. Mutual fund either promoted by public or by private sector entities including one promoted by foreign entities is govern by these regulations.

SEBI approved Asset Management Company manage the funds making investment in various types in securities. Custodian regulator with SEBI, holds the securities of various schemes of the fund in custodian.

Mutual Funds in India are governed by the Securities Exchange Board of India (Mutual Fund) Regulations 1996 as amended from time to time. All the mutual funds must get registered with SEBI.

The only exception is the UTI, since it is a corporation formed under a separate Act of Parliament.

RESEARCH METHODOLOGY:-

This Report is based on primary as well as secondary data, however primary data collection was given more important since it is overhearing factor in attitude studies. One of the most important users of Research Methodology is that it helps in identifying the problem, collecting, analyzing the required information or data and providing an alternative solution to the problem. It also helps in collecting the vital information that is required by the Top Management to assist them for the better decision making both day to day decisions and critical ones.

1) **Research Design**: Descriptive Design

2) **Data Collection Method**: Survey Method

3) **Universe:** Nanded City

4) **Sampling Method**: The sample was collected through personal visits, formally and informal talks and through filling up the Questionnaire prepared. The data has been analyzed by using mathematical or statistical tools.

5) **Sample Size**: 200 respondents

6) **Sampling Unit**: Businessmen, Government Servant, Retired Individuals

7) **Data Source**: Primary data

8) **Data Collection Instrument**: Structured Questionnaire

9) **Sample Design**: Data has been presented with the help of Bar Graph, Pie Chart, and Line Graph etc.

RESEARCH METHODOLOGY

1. **PROBLEM DEFINITION**

   "A STUDY ON STATUS OF AWARENESS AMONG MUTUAL FUND INVESTORS IN NANDED CITY OF MAHARASHTRA"

2. **OBJECTIVE OF THE STUDY**

1) To find out the awareness of mutual fund of the people in Nanded City.
2) To find investment pattern of mutual fund.
3) To find out the preference of people to investment in mutual fund.

3. **RESEARCH DESIGN**

   In this project the Descriptive research design has been used in which the data are collected by cross sectional research design. As the study is done to know the awareness of mutual fund only and not to find out any reason for the awareness level of mutual fund in bardoli and as it only describes the level of awareness and not explains anything the study is descriptive study.

4. **SAMPALING PLAN**

The sampling plan is about how many respondents are to be taken under the research out of the overall population. In this study the non-probability sampling technique has been used as it is more appropriate to conduct because it is not possible to know the awareness of mutual fund in bardoli by only one group. And as the respondents are the persons who met on convenience and not any specific group of persons the convenience sample have been taken. The survey has been done with sample of 200 respondents

DATA COLLECTION

The data are collected by primary data collection method as the awareness of mutual fund of the people in Nanded City is to be known there is need to contact them directly to get the appropriate result of the study.

For the collection of the primary data, the data are collected by the use of questionnaire. The questionnaire is one of the best sources to get information from the respondents.

DATA ANALYSIS & INTERPRETATION

Q.1 Are you aware about Mutual Fund?

	FREQUENCIES	PERCENTAGE
YES	168	84%
NO	32	16%
TOTAL	200	100%

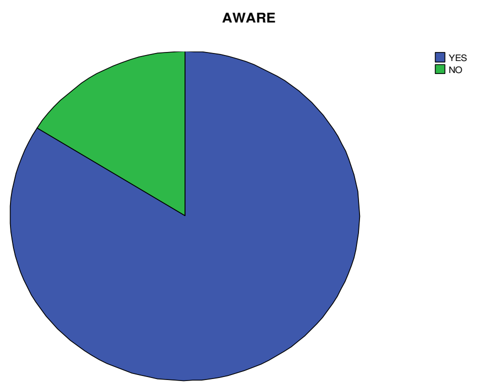


Fig. Indicate awareness level of investors.

Inference: from the above table 84% respondents out of 200 are aware about Mutual Fund and 16% respondents are not aware about Mutual Fund.

Q.2 How frequently you invest in mutual fund?

FREQUENCIES

	NO	PERCENT
ONCE	39	19.5
TWICE	29	14.5
MORE THAN TWICE	54	27.0
REGURALARY	78	39.0
TOTAL	200	100.0

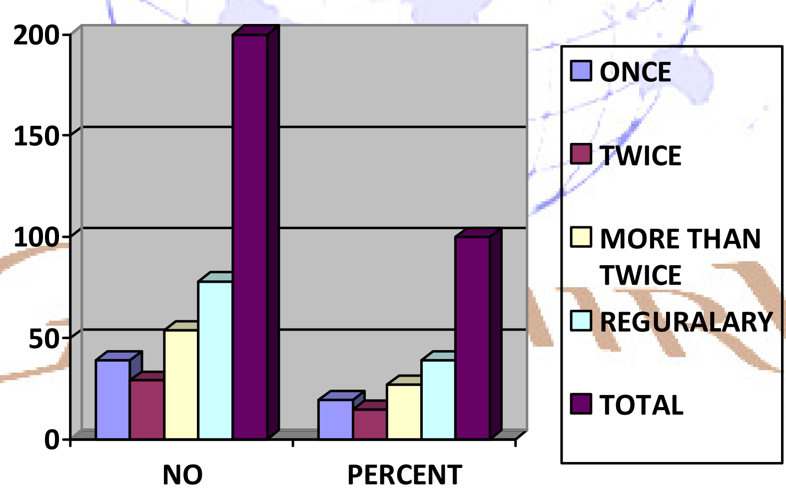


Fig. indicates frequency of investment.

Inference : From the above table 27.0% respondents out of 200 have invested more than twice in Mutual fund. 39.0% respondents out of 200 are investing regularly in Mutual fund. 19.5% respondents out of 200 have invested once in Mutual fund.

Impact Factor : 1.883 Peer-Reviewed Journal ISSN : 2278 – 5639
Global Online Electronic International Interdisciplinary Research Journal (GOEIIRJ)
{Bi-Monthly} Volume – IV, Issue – IV December 2015

Q.3 How much percentage of income you invested in Mutual Fund?

Statistics % of income invested in Mutual Fund

% of Income Invest in M.F.	FREQUENCY	PERCENT
Less than 5%	15	13%
5% - 9%	31	26%
10% - 14%	27	23%
15% - 20%	25	22%
More than 20%	18	16%
TOTAL	200	100%

Fig. indicates percentage of income invested in Mutual Fund.

Inference: From the above table there are 26% respondents out of 200 are investing from 5% to 9% of their income, while only 13 % respondents are investing less than 5% of their income in Mutual Fund

Q – 4Are you aware of the various Schemes which come under Mutual Fund?

Schemes come under mutual Fund

	FREQUENCIES	PERCENTAGE
SYSTEMATIC TRANSFER PLAN	40	20%
SYSTERMATIC INVESTMENT PLAN	112	56%
SYSTEMATIC WITHDRAWAL PLAN	48	24%
TOTAL	200	100.0%

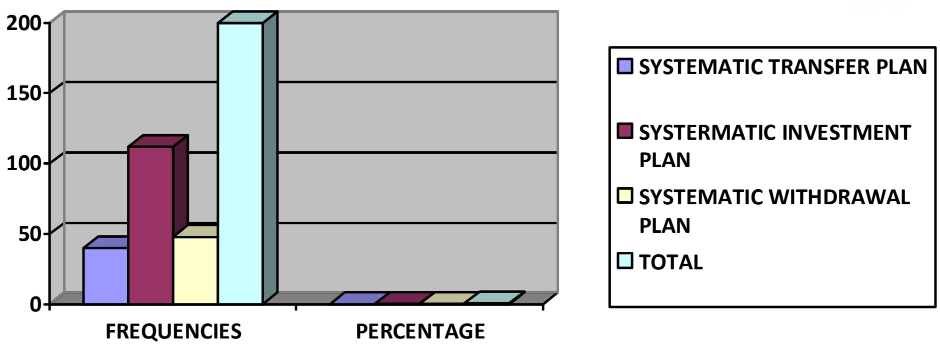


Fig. Various Schemes of Mutual Funds

.**Inference:** From the above table 56% respondents are aware of the Systematic Investment Plan in Mutual Fund. 24% respondents are aware of the Systematic withdrawal Plan in Mutual Fund. 20% respondents are aware of the Systematic Transfer Plan in Mutual Fund.

FINDINGS:-

Through this Project the results that was derived are-

1. People who lie under the age group of 36-40 have more experience and are more interested in investing in Mutual Funds.
2. There was a lot of lack of awareness or ignorance, that's why out of 200 people, 120 people have invested in Mutual Fund and 80 people is unaware of investing in Mutual Funds.
3. Generally, People employed in Private sectors and Businessman are more likely to invest in Mutual Funds, than other people working in other professions.
4. Generally investors whose monthly income is above Rs. 20001-30000 are more likely to invest their income in Mutual Fund, to preserve their savings of at least more than 20%.
5. People generally like to save their savings in Mutual Fund, Fixed Deposits and Savings Account.
6. Many people came to know about Mutual Fund from Financial Advisors, Advertisement as well as from their Peer group , and they generally invest in the Mutual Fund by taking advices from their Legal Advisors.
7. Investors generally like to invest in Large Cap Companies like Reliance, SBI, etc. to minimize their risk.
8. The most popular medium of investing in Mutual Fund is through SIP and moreover people like to invest in Equity Fund though it is a risky game.
9. The main Objective of most of the Investors is to preserve their Income

CONCLUSIONS

1. There are 84% respondents are aware about Mutual Fund.
2. More number of people are come to know about Mutual Fund from News paper and Agent.
3. The people are investing in Mutual Fund with an objective to get more return and to get the tax benefit.
4. The more number of persons invest in Growth Scheme of Mutual Fund.
5. The most of investor's age is from 21 to 40.

BILIOGRAPHY

BOOKS

1. Gordan & Natarajan (2003), Financial Markets and Services, New Delhi Books:
2. Cooper & Schindler (2003), Business Research Methods, New York, (The McGraw – Hill Companies).
3. Darren George & Paul Maliery (2006), SPSS for windows step by step, sixth Edition, (Pearson Education, Inc).

Websites

1. www.amfiindia.com
2. www.moneymarket.com
3. www.kotakbank.com