A study on investors' awareness and preference towards mutual funds as an investment option

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Abstract: Mutual Fund is an investment option for investors. There are many schemes in mutual funds which can be chosen according to the investment purpose of the investors. In many leading markets mutual funds are considered to be the most reliable investment option. But in the Indian market, Mutual funds are not preferred by the investors. The investors mainly look into other available investment options. This is mainly due to a lack of awareness about mutual funds. In this study, the preference level of investors towards mutual funds and the awareness level of investors regarding mutual funds are mainly studied and further, suitable measures for increasing the awareness level of investors are also recommended. Further in this study, it has been understood that the investors don't prefer mutual funds because they are less aware of the mutual funds.

Key Terms: Preference, Awareness, Investment, Mutual Funds, Investors, Measures, Suggestions.

1.1 Introduction

A mutual fund is a mechanism for pooling together the small savings of the people by issuing them securities in the form of units, the mutual fund mobilizes the funds of the small investors and invests them in marketable securities following the objectives of the fund. The first mutual fund to be established was the UTI mutual fund in 1964, between 1980 and 1982, there was a strong movement which gravely strengthened the country's capital market. From 1987 onwards permission was given to institutions to establish mutual funds. Today the mutual fund industry has more assets than both bank deposits and total assets of insurance companies.

The mutual fund schemes are divided based on operation and execution and based on return and investment. Under the basis of operation and execution, there are open-ended schemes and close-ended schemes. In the open-ended scheme, the corpus and schedule are not determined, units are issued to all applicants, buying and selling of units'

takes place all the time, there is an option for repurchase, the units are not listed in stock exchanges and the main objective of the open-ended scheme is income generation. But in the case of the close-ended scheme, the corpus and schedule are determined, the units are only issued up to the total subscription of the corpus, there is no option of repurchase, the units are listed in the stock exchange when the period of the fund gets completed, the fund is liquidated. The total assets in the name of the fund are now distributed among the unit holders in proportion to their holdings and the main objective of the close-ended scheme is capital appreciation.

1.3 Review of literature

Vanipriya.R (2015) in this study titled "investors perception and preference towards mutual fund investments with reference to Chennai city". The primary data analysis was done using SPSS. In the study, it was found out that investors' major part of the investment is made on mutual funds. The majority age group is the age group of fewer than 30 years of age. The age, gender, qualification, income, and occupation are playing a major role in the preference and perception towards mutual funds by investors.

R.Mani Murugan (2015) this study was conducted to know the investors' perception and preference towards mutual fund investments in the Namakkal district. The primary data got analyzed with SPSS. Chi-square test, ANOVA, Multiple regression model, Principle factor component analysis was used. It was found that male respondents have more preference for mutual funds. Occupational status of

the respondents and all product quality factors related to the selection of mutual fund schemes.

Pohane Jyoti (2017) this study deals with mutual fund investment awareness of people. Both primary and secondary data were utilized. Primary data were analyzed using the chi-square test, Mann-Whitney test, Kruskal-Wallis test. It was observed that awareness and experience of investing in mutual funds do not have much effect on their preferences for different investment options. There is a significant relationship between the income of the respondents and perception towards the mutual funds. The respondents and perception towards mutual funds. Investors with more income are aware of mutual funds.

Ayyapan S (2009) This study was conducted to know the awareness level of investors about mutual funds. The primary data was collected using a questionnaire and the data was analyzed using ANOVA, Chi-Square test, discriminant analysis, factor analysis, and T-test. The majority of the respondents were male and were from urban areas. The majority of the respondents were below the age of 30 years. The researcher suggests that AMFI and SEBI should bring more transparency to investment policies of mutual funds. The researcher also suggests that advertisements regarding mutual funds should contain more information.

Ajaz Shaqfat (2012) In this study, the primary data was obtained using a questionnaire. The gathered primary data was analyzed with the help of SPSS. The statistical tools which were used to analyze the data were, measures of central tendency, measures of dispersion, multinomial logistic regression analysis, percentage analysis, factor analysis, Cronbach's alpha method was used for reliability analysis of measurement scales. The researcher says that there should be more transparency in the operation of mutual funds and more awareness programs should be conducted for investors to make them more informed about mutual funds.

Binod Kumar Singh (2012) in this study, the primary data was collected using a questionnaire from 250 respondents from Ranchi. Chi-Square Test was used for testing the hypothesis and also for analyzing the various factors affecting the investment of mutual funds. From the study, it was analyzed that the majority of the investors have a neutral attitude towards mutual funds.

Alekhya.P (2012) Studied on the comparative performance of public and private sector mutual funds schemes. The data were collected from records, books, journals, magazines, etc. This study was fully focused on the performance of the mutual fund equity scheme for the past 3 years from 2009 to 2011. Funds were ranked according to Sharpes, Treynors and Jensons performance measure.

K. Lashmana Rao (2011) in this study the primary data was collected using a structured questionnaire. The sample of 350 respondents was used for the study from the city of Visakhapatnam. Simple statistical tools such as percentages, cross-tabulation, and Chi-Square tests were used. In this study, it was said that SEBI, AMFI, and IRDA should take measures to increase investors' knowledge which will help investors for making more precise decisions.

Raja Rajan (1998) studied the effect of demographic variables on mutual funds and it was recorded that there is the impact of demographical variables such as age, gender, income, etc. It was also found out that the percentage of risky assets to total financial investments will decline as the investors move along the stages of the life cycle.

Desigan et Al (2006) conducted a study to know the women's' preference and perception towards mutual funds. It was found that many of the women do not prefer mutual funds because they don't have much knowledge about mutual funds. They don't know what the procedures for investing in mutual funds are, what are the risks that have to be faced when investing in mutual funds etc. Nowadays

women also look into investment option so it is necessary to educate women, investors, also about mutual funds.

1.2 Statement of the problem

India is one of the materializing global markets and is well known as an investment destination in the world. Liberalization, as well as globalization, has made familiar investments like shares, mutual funds, and debentures, etc. From those options, the investors are always baffled on what to choose from the applicable choices and also the awareness of these investments is constrained to the investors.

In numerous leading financial markets mutual funds play a sizable role, but in India, it is comparatively a new member. Even though the mutual fund industry is growing swiftly, it is comparatively very little even though awareness programs are conducted plus investor-friendly policies are made for the investors. It is seen that investors favor to invest in short term equities and are minimum excited in long term investments like mutual funds, the insufficiency of awareness about mutual funds can also be a cause.

Another circumstance is the poor financial literacy of investors they believe that short term equities are suitable for investing. Along with this, financial capability is also a factor, the people who have high financial capability are well informed of mutual funds. The investors have chaos on which investment option they should prefer to get high returns, with maximum risk. The investors lack awareness of investment alternatives, additional factors that confuse investors are safety, liquidity, returns, risks, tax benefits, etc.

The investor should remain extremely cautious when they are taking the investment option. The awareness of the mutual fund as an option is extremely significant also the investors should use their skill, knowledge, and experience in deciding the investment option. In this situation, the study

can become highly relevant to connect the research gaps in the mutual funds' investment industry.

1.4 Objectives

- To understand the investors' awareness level about mutual fund investment.
- To examine the investors' preferences towards mutual funds as an investment option.
- To suggest suitable measures to increase the level of awareness among investors

1.6 Hypothesis

H01: Gender has a significant association with investor's satisfaction.

H02: Educational qualification has significant association with satisfaction.

H03: There is a significant relationship between expected return and safety of mutual funds.

H04: there is a significant relationship between expected return and safety of mutual funds.

H05: There is a significant relationship between the extent of risk and satisfaction level of mutual funds.

1.5 Methodology

1. **Primary Data**
   This study is mainly based on the primary source of data. It is the information directly collected by the researcher. For this study, the primary data was collected using a questionnaire.

2. **Secondary Data**
   In this study secondary sources of data like websites, journals, books, etc. were used.

1.7 Limitations of the study

- The study is only in Ernakulum district. So the attitude of investors in other districts in Kerala is unknown.
- Due to time constraints the study was limited to only 110 investors.

1.8 Data Analysis and Interpretation

To analyze the primary data the researcher has used Pearson correlation analysis and Chi-Square test. The correlation is used to check the relationship between two variables and Chi-Square tests were used to measure the association between two variables

Table-1

Chi-square test

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.964a	2	.138
Likelihood Ratio	4.242	2	.120
Linear-by-Linear Association	3.566	1	.059
N of Valid Cases	110		

Source: Primary Data

Interpretation: Here it can be noticed that the Chi-Square value of (3.964) is not significant at a 95% confidence interval. It implies that the Chi-Square value is (.138) greater than the cut off value (0.05). In a nutshell, it can be presumed that there is no significant association between the gender and satisfaction levels of investors.

Table-2

Chi-square test

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	8.009a	4	.091
Likelihood Ratio	7.963	4	.093
Linear-by-Linear Association	1.748	1	.186
N of Valid Cases	110		

Source: Primary Data

Interpretation: Here it can be recognized that the Chi-Square value of (8.009) is not significant at a 95% confidence interval. It indicates that the Chi-Square value is (.091) greater than the cut off value (0.05). In a nutshell, it can be concluded that there is no significant association between the educational qualification and satisfaction level of investors.

Table-3

Correlations

		Extent of risk	Expectation of returns
Extent of risk	Pearson Correlation	1	.092
	Sig. (2-tailed)		.338
	N	110	110

Expectation of returns	Pearson Correlation	.092	1
	Sig. (2-tailed)	.338	
	N	110	110

Source: Primary Data

Interpretation: The value of Pearson Correlation is .092, which is significant at 0.01. It can be realized that there is a positive relationship between the extent of risk and expected return of mutual funds.

Table-4

Correlations

		Safety	Expectation of returns
Safety	Pearson Correlation	1	.126
	Sig. (2-tailed)		.188
	N	110	110
Expectation of returns	Pearson Correlation	.126	1
	Sig. (2-tailed)	.188	
	N	110	110

Source: Primary Data

Interpretation: Here the value of Pearson Correlation is .126 which is significant at 0.01. It can be realized that there is a positive relationship between expected return and safety of mutual funds.

Table-5

Correlations

		Extent of risk	Satisfaction level
Extent of risk	Pearson Correlation	1	.030
	Sig. (2-tailed)		.753
	N	110	110
Satisfaction level	Pearson Correlation	.030	1
	Sig. (2-tailed)	.753	
	N	110	110

Source: Primary Data

Interpretation: The value of Pearson Correlation is .030 which is significant at 0.01. It can be said that there is a positive relationship between extent of risk and satisfaction level on mutual fund.

1.9 Findings

- The majority of the respondents prefer mutual funds because of their tax benefits. Only 10% of respondents prefer mutual funds because of its more return characteristic.
- 62.7% expect balanced risks in mutual funds whereas only 3% of the respondents are feeling high risk. The people feel that they only face a balanced risk while investing in mutual funds.
- The main problem faced by the investors while investing in mutual funds is that there is no adequate information and many of the respondents also don't have a clear idea about the public issue.
- The majority of the respondents feel that the programs which are conducted for making awareness about mutual funds are insufficient.

- 70% of respondents have a medium level of satisfaction, 20% of respondents have a high level of satisfaction and 10% of respondents have a low level of satisfaction on mutual funds.

- There is no significant association between gender and satisfaction level of investors.

- It can be seen that there is no significant association between educational qualification and satisfaction level of investors. It may be due to lack of awareness among investors.

- It can be seen that there is a positive relationship between the extent of risk and expected return of the mutual fund.

- There can be seen a positive relationship between the expected return of mutual funds and the safety of mutual funds.

- It can be seen that there is a positive relationship between the extent of risk and satisfaction level of the mutual fund.

1.10 Suggestions

- More effective awareness programs about mutual funds should be conducted to make aware the investors more about mutual funds.

- The government should take more action to promote mutual funds amongst investors.

- More information about the mutual fund should be incorporated in advertisements about mutual funds.

- More investors should be prompted to invest in various schemes of mutual fund other than tax saving schemes.

- Investor education programs can be conducted by responsible bodies to make awareness about mutual funds.

1.11 Conclusion

A mutual fund is a very good option for investors because the risk is minimum and return can also be guaranteed. Many of the investors prefer other investment options because they are not well aware of the mutual fund. The study has found out that there is a positive relationship between the extent of risk and satisfaction level of investors. It shows that the risk taken by the investors are well rewarded with appropriate returns from the mutual fund. It can be concluded that the less awareness about mutual funds has led investors not to prefer mutual funds over other investment options.

Further awareness of mutual funds should be given to investors. The government should inaugurate more measures to promote investing in mutual funds. The conclusions of the study can be used to build the awareness and preference of mutual funds among investors.

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