



# A Study on Awareness of Mutual Funds among the Investors of Kutch District

Sachin Abda

Assistant Professor

SGJ Institute of Management and IT,  
Mandvi, Gujarat (India)

**Abstract:** For investment in financial securities, investors have basically two types of securities, Equity and Debt. Equity securities contain higher risk compared to debt one, generating higher returns. Most of the Investors take decisions; make strategies for investment keeping the level of risk involved in Investment Avenue. For minimizing risk and maximizing return by diversification principal, Mutual funds are popular vehicles for investment. In India mutual funds are parts of organized financial system. In order to identify the awareness of mutual funds among the Investors of Kutch, researchers collect the data from the investors of Kutch regarding their investment, the said data and information will be analyzed to find out the level of awareness in research paper.

**Keywords:** Mutual Funds, Financial securities, Diversification.

## I. INTRODUCTION

Financial system is made of financial institutions, services, market and instruments. Financial institutions convert savings into investment by offering various services and securities. Investment in financial instrument is complex process requiring knowledge and experience about the financial system. The return in financial system depends on the strategy adopted for investment.

For investment in financial securities, investors have basically two types of securities, Equity and Debt. Equity securities contain higher risk compared to debt one, generating higher returns. Most of the Investors take decisions; make strategies for investment keeping the level of risk involved in Investment Avenue. For minimizing risk and maximizing return by diversification principal, Mutual funds are popular vehicles for investment. In India mutual funds are parts of organized financial system. In order to identify the awareness of mutual funds among the Investors of Kutch, researchers collect the data from the investors of Kutch regarding their investment, the said data and information will be analyzed to find out the level of awareness in research paper.

## II. RESEARCH OBJECTIVES

1. To study the level of awareness about mutual funds among investors of Kutch
2. To find out most important factors affecting decision regarding investment in mutual funds
3. To identify the objectives of investors for their investment in mutual funds

## III. RESEARCH METHODOLOGY

The data mainly used in the research is primary data collected through questionnaire, after collecting responses through questionnaire, it is analyzed and classified.

The method used for collecting data is convenience sampling.

Sample size for said research is 150 investors from rural and urban areas of Kutch district.

## IV. RESEARCH PROBLEM

Now day, investors prefer mutual funds as convenient tool of investment because of diversification and professional management. But the performance of mutual funds depend on the market performance, with the research researchers want to find out factors affecting investors decision regarding investment in mutual funds and to give suggestions to mutual funds industry by considering the responses and interpretation.



## V. REVIEW OF LITERATURE

Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study finds among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then ongoing market situations. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance; Newspapers and Magazines are the first source of information through which investors get to know about MFs/Schemes.

Goetzman (1997) point out that there is evidence that investor psychology affect fund/scheme selection and switching.

Rajeswari and Ramamoorthy (2001) have conducted the study titled "An Empirical Study On Factors Influencing The Mutual Fund/Scheme Selection By Retail Investors", to understand the factors influencing the fund selection behaviour of 350 mutual fund investors in order to provide some meaningful inferences for Asset Management Companies(AMC) to innovatively design the products. The analysis was done on the basis of product qualities, fund sponsor qualities and investor services using questions framed on a five point Likert scale. The evaluation was done by factor analysis and principal component analysis to arrive at the findings of the study which were as follows: the most important product quality was the performance of the fund followed by brand name of the scheme; sponsor related factor that given more importance by the investor was the expertise of the sponsor in managing money and finally the investor service that was considered important was the disclosures on investment objectives, methods and periodicity of valuation in advertisements

Singh and Vanita (2002) in the paper "Mutual Fund Investors' Perceptions and Preferences-A Survey" have examined the investors' preferences and perception towards mutual fund investments by conducted a survey of 150 respondents in the city of Delhi. The study has investigated in the following research issues: 1) the basic objectives form Vestments and average time horizon; 2) investment experiences; 3) risk, return, safety and diversification; 4) preferences of financial assets and investment schemes of mutual funds. The findings of the study were that the investors' preferred to invest in public sector mutual funds with an investment objective of getting tax exemptions and stayed invested for a period of 3-5 years and the investors evaluated past performance. The study further concludes by stating that majority of the investors were dissatisfied with the performance of their mutual fund and belonged to the category who held growth schemes.

Ramamurthy and Reddy (2005) conducted a study to analyze recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI. The study also analyzed about recent trends in mutual fund industry like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, bullion and precious metals, entering of banking sector in mutual fund, buying and selling of mutual funds through online.

Mittal and Gupta (2008) in their paper examined the awareness of the investors about mutual funds and various factors affecting the investment decision in the mutual funds. The study revealed that mutual funds had comparative advantage over other options due to high return, high safety, high liquidity and high convenience with moderate volatility. When compared to other investment options, it ranked third most preferred option, Insurance and government bonds having first and second positions. The overwhelming majority (85%) of the respondents were aware of the mutual fund product and risk associated with it and most of them were satisfied with the service provided by mutual fund.

Singh and Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The invertors' will also consider various factors before investing in mutual fund.

Sarish and Ajay Jain (2012) concluded that for the purpose of investment or saving, the investor are having options to invest money in mutual funds and other financial instruments like equity shares, debentures, bonds, warrant, bank deposits. A common investor, who invests their savings into the different assets, is not very much aware about the mutual funds.

## VI. DATA ANALYSIS AND INTERPRETATION

### Category

Govt. Employee	6%
Professional	29%
Pvt. Firm Employee	53%
Self Employed	6%
Business Person	6%
Agriculturist	0%
Other	0%



It is found from the above responses that most of the respondents amongst the investor's category are from pvt. Firm employee, the reason could be behind this is employees from the pvt sectors need more income planning to plan their future, the next higher category of investors is from professionals, this category also needs to plan their future for retirement. Sujit Sikidar and Amrit Pal Singh (1996) carried out a survey with an objective to understand the behavioural aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in mutual fund primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds had not proved to be a big hit during the time when survey was done.

### Gender

Male	86.%
Female	14%

Most of the investors were found in male category. Desigan et al (2006) conducted a study on women investors' perception towards investment and found that women investors' are basically are indecisive in investing in mutual funds due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems. Savings is a habit specially embodied into women. Even in the past, when women mainly depended on their spouses' income, they used to save to meet emergencies as well as for future activities. In those days, women did not have any awareness about various investment outlets. But as time passed, the scenario has totally changed.

### 1. Where do you invest your savings?

Savings Bank	20%
Fixed Deposit	41%
Shares/Debentures	29%
Gold/Silver	0%
Postal savings	0%
Real Estate	5%
Mutual Funds	5%
Insurance	0%
Other	0%

From the above responses it is found that most of investors are tilted towards fixed deposits as Investment Avenue. It is logical that bank fixed deposits are safest avenue for investment and most of the investors are pvt sector employees or professionals.

### 2. Your annual income is in the range of:

Below Rs. 1 Lakh	0%
Between 1 Lakh to 2 Lakh	23%
Between 2 Lakh to 3 Lakh	29%
Between 3 Lakh to 4 Lakh	32%
Between 4 Lakh to 5 Lakh	5%
Above Rs. 5 Lakh	11%

When researchers asked respondents about their level of income it was observed that major group of investors' income fall between the levels of 2 lacs to 4 lacs.

### 3. What is the percentage of savings from your total income?

<=25 %	66%
<= 50 %	29%
<= 75 %	5%
Other	0%



When respondents were asked about the fraction of their savings from their investment, most of the respondents commented that they save less than 25% of their income; well this could even be linked with their income where researchers found most of the respondents income was ranging from 2 lacs to 4 lacs.

**4. What are the factors to which you give priority when you invest?**

Safety	29%
High Return	37%
Liquidity	17%
Less Risk	17%
Marketability	0%

When respondents were asked about the factors they consider during investment the factor which most of the investors prioritize during deciding about investment was found high return in the research study because most of the investors are pvt sector employees and professionals this could be their factor for investment decision. V. Rathnamani (2013) concluded that many investors are preferred to invest in mutual fund in order to have high return at low level of risk, safety liquidity.

**5. You invest in the financial instruments / securities which give:**

High Risk / High Return	17%
Low Risk /Low return	17%
Low Risk/ High Return	66%

When researcher asked the about the preference regarding the investment instrument it was observed most of the respondents want to prefer the tool which gives high return with lesser magnitude of risk.

**6. How is your invest pattern:**

Monthly (SIP)	50%
Once in Six Months	18%
Once in a year	18%
Very Rare	14%

When researcher asked respondent about the investment pattern they follow it was found most of the respondents prefer monthly sip for investment purposes as if their preference was the instrument which gives high return at lowest risk.

**7. You have invested in which type of Mutual Fund Scheme**

Equity fund	70%
Debt funds	7%
Hybrid Funds	23%

When asked about the mutual fund scheme chosen by investors, most of the respondents replied they invest in equity fund scheme; this is because their preference is the instrument which gives the higher return.

**8. If Equity Funds then, in which category**

Diversified Equity Funds	60%
Mid-Cap Funds	8%
Sector Specific Funds	16%
Tax Savings Funds	16%

Even in equity funds most of the investors are investing in diversified equity funds because their objective is to earn higher return at lowest risk.



**9. If Debt Funds then, in which category**

Gilt Funds	25%
Income Funds	13%
MIPs	0%
Short Term Plans (STPs)	12%
Liquid Funds	50%

When respondents were asked about their preference on debt funds most of the respondent's preferred liquid funds in debt category, which could be related to their objective of earning higher return at lowest possible risk.

**10. Do you have knowledge about the share market & its functioning?**

Yes	94%
No	6%

Most of the investors are aware about share market and its functioning when they were asked about it. It is logical as if their main objectives, investment plans and investment decisions require basic understanding regarding share market.

**11. Are you aware of the fact that Mutual Fund Companies (AMC's) will invest your money in Share Market?**

Yes	94%
No	6%

Even most of the investors know that their money will be invested in share market, because most of the time mutual fund companies inform investors about their investment segregation in various funds and schemes.

**12. What advantages do you find when you invest in Mutual Funds?**

Professional Management	31%
Diversification	25%
Return Potential Low cost	0%
Liquidity	6%
Transparency	0%
Flexibility	7%
Choice of schemes	0%
Tax benefits	25%
Well regulated	6%
Economies of scale	0%
Simplicity	0%

In selected sample most of the investors are attracted by the benefits of mutual funds like professional management, diversification and tax benefits. Most of the sample selected are either professionals or pvt. Sector employees. Generally, they don't get much time to diversify and professionally and closely keep a view on their investment regularly.

**13. What do you look before investing in a particular mutual fund scheme?**

Past Performance (NAV)	70%
Ratings (by CRISIL, ICRA, Etc.)	18%
Asset Management Companies (AMC)	0%
Expert Advise	12%

While deciding about investment in mutual funds most of the respondents said they are influenced by past performance of mutual fund scheme. This is logical as rational investor will evaluate any investment scheme on the basis of its past performance and return generated. Ippolito (1992) says that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds.



**14. Where do you gather information about the performance of different mutual fund schemes?**

Financial Institutions	25%
Brokers	13%
Financial Consultants	12%
TV Channels	12%
Magazines	6%
Internet	32%

From the respondents most of the portion is dependent on internet and financial institutions for collecting the information about the performance of mutual fund schemes, may be because of that major chunk of population is aware about share market and its functioning.

**15. Since how many years you are investing in Mutual Fund Schemes?**

One year	30%
Two Years	40%
Three Years	23%
Four Years	0%
Five Years	0%
More than five years	7%

From the respondents almost 70% respondents are investing in mutual funds since one or two years. That also may be the reason for their awareness about share market.

**16. You invest in Mutual Fund Schemes because:**

It is a good investment instrument	14%
It's better to invest in Mutual funds rather than investing directly in shares	23%
They give assured and consistent return	0%
They provide high return with low risk	7%
Less calculation is required before investing when compared to share market	0%
Very simple to invest & monitor fund performance on a regular basis	14%
Mutual Funds provide the benefit of cheap access to expensive stocks	0%
Mutual funds diversify the risk of the investor by investing in a basket of assets	21%
Professional fund managers manage them with in-depth research inputs from investment analysts	21%

23% of the respondents believe It's better to invest in Mutual funds rather than investing directly in shares because most of the investors in sample give more importance to those securities which give high return at less risk.

**17. Can Mutual Funds be viewed as Risk Free Investments?**

Yes	31%
No	69%
Other	0%

Most of the respondents believe mutual fund investments are not risk free investment as most of the investors are aware their investment in mutual funds may be invested in shares by mutual fund companies.

**18. Is there a need for creating awareness among the public of Kutch about the benefits of investing in Mutual Funds?**

Yes	87%
No	13%



Respondents replied there is need to create awareness about mutual funds at kutch. still there is lack of awareness about mutual funds and its technicalities among the population. Berhein and Garnette (1996) affirmed Philip's findings and further stated that a serious national Campaign to promote savings through education and information could have a measurable impact on financial behaviour.

**19. Are there sufficient Mutual Fund investor education and service centers in Kutch?**

Yes	13%
No	87%

Most of the respondents replied there are not sufficient mutual fund investor education and service centers at kutch, still it is developing region and it will take some time for the companies to establish investor education and service centers.

**20. Do you accept the fact that Investing in Mutual Funds will lead to the economic development?**

Yes	100%
No	0%

Almost all the investors are of the opinion that investment in mutual funds will lead to economic development considering its benefits.

**21. Have you ever redeemed your Mutual Funds because of the below mentioned reasons?**

Non Performance of Funds	48%
Non Availability of good service from Mutual Fund company	7%
Non availability of investment support / service in Kutch	15%
Lack of information about fund performance	7%
Difficulty in monitoring fund performance	23%
Other	0%

When investors were asked about the reason for redeeming their mutual funds most of the investors said they redeemed their mutual funds because of non performance of funds.

**22. You have not invested in mutual funds because:**

It's not a lucrative investment instrument	18%
No satisfactory return on investment when compared to other investment instruments	9%
No safety for funds invested	9%
Risky investment instrument	0%
No / Less Liquidity	0%
No knowledge about how to invest	9%
No knowledge about where to invest / investment centers	19%
No Mutual Fund investors' education & service center in Kutch	27%
It is related to share market, so it is very risky and the returns are not guaranteed	9%

Most of the respondents said one of the factors which demoralize them for investing in mutual funds is lack of investors education and service centre for mutual funds at kutch.

**23. According to you, which one do you rate as the best investment instrument?**

Savings Bank	13%
Fixed Deposit	41%
Shares/Debentures	33%
Gold/Silver	13%
Postal savings	0%
Real Estate	0%
Insurance	0%
Other	0%



Most of the investors were of the opinion that bank fixed deposits are best investment instruments because most of the respondents in sample are risk averse, and bank fixed deposits might be safest investment avenue according to them. Dr. Ravi Vyas, conducted study on mutual fund investor's behavior and perception in Indore city. It was found that mutual funds were not that much known to investors, still investors rely upon bank and post office deposits, most of the investors used to invest in mutual fund for not more than 3 years and they used to quit from the fund which was not giving desired results. Equity option and SIP mode of investment were on top priority in investors' list. It was also found that maximum number of investors did not analyze risk in their investment and they were depending upon their broker and agent.

## VII. CONCLUSION

For the first objective it was inferred that still there is not much awareness about the mutual funds among the population of the kutch and more mutual funds awareness centers and service centers are needed to spread the education and awareness about mutual funds. Most of the respondents are influenced by professional management and diversification advantages offered by mutual funds, while deciding about investment in mutual funds most of the respondents replied they check past performance of mutual funds before investing in the same. Most of the respondents said their objective to invest in mutual fund is to earn high return at low risk as mutual funds offer diversification and funds are managed professionally.

## REFERENCES

1. S. S. (n.d.) et al, INVESTORS' AWARENESS AND PERCEPTION ABOUT MUTUAL FUNDS. *International Journal of Multidisciplinary Research* , 14-29.
2. A. B. et al.(2015). A Study on Factors Affecting Investment on Mutual Funds and Its Preference of Retail Investors. *International Journal of Scientific and Research Publications* , 1-4.
3. Bansal, V. K. (2014). A Study on Investors' Behavior towards Mutual Funds in Rohtak, Haryana. *International Journal of Engineering and Management Research* , 224-228.
4. Dodiya, D. B. (2015). A study on the attitude of the Investors towards Investment. *International Multidisciplinary Research Journal* , 1-4.
5. Dr. Rajesh Kumar, a. N. (2014). An Empirical Study On Investors' Perception. *International Journal of Research in Management & Business Studies* , 49-52.
6. Jain, G. A. (2013). INVESTOR'S PREFERENCE TOWARDS MUTUAL FUND IN. *Journal of Indian Research* , 115-131.
7. Joshi, D. M. (2013). A Study About Awareness of Mutual Funds Among the Investors of Navsari District. *INDIAN JOURNAL OF APPLIED RESEARCH* , 13-15.
8. Mane, P. (2016). A Study of Investors Perception towards Mutual Funds in the City of Aurangabad. *The SIJ Transactions on Industrial, Financial & Business Management* , 30-38.
9. Padmaja, R. (2013). A STUDY OF CONSUMER BEHAVIOR TOWARDS. *International journal of management research and business strategy* , 31-41.
10. Rajkumar, S. P. (2014). Awareness and Knowledge of Mutual Fund among the Investors with Special Reference to Chennai – A Critical Study. *International Journal of Research and Development* , 1-4.
11. SHAH, D. M. (2012). Preference of Investors for Indian Mutual Funds and its. *Pacific Business Review International* , 62-76.
12. Sharma, M. P. (2014). INDIAN MUTUAL FUND MARKET: RETAIL INVESTOR'S INVESTMENT INSIGHT. *International Journal of Research & Development in* .
13. Singh, D. B. (2012). A study on investors' attitude towards mutual funds as an investment option. *International Journal of Research in Management* , 61-70.
14. Vechalekar, P. G. (n.d.). Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds. *IOSR Journal of Economics and Finance* , 66-74.