



An empirical study on awareness of mutual fund among academicians –with special reference to a private college in Bangalore.

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Abstract

Investments are an interesting area of personal finance; investment is to make your money work when you are not working but to master this art it requires for an individual to be aware of certain basic concepts of personal finance, such as savings, time of investment, avenues for investments, etc. these concepts are influenced by various other parameters such as risk appetite, income, awareness, etc., in India mutual funds as an investment option have been gaining importance of late, investors are slowly moving away from traditional investment avenues and moving towards new and innovative financial instruments, but however the roadblock here is that many investors are caught unaware of the various investment avenues available. This study aims to find out the level of awareness of mutual funds among academicians and suggestions to increase the same.

Key words: Mutual Fund, Awareness, Investment avenues

Introduction

The concept of mutual fund emerged for the first time in the Netherlands in the 18th century and introduced in India by Unit Trust of India (UTI) in 1960s as an initiative of the Government of India and Reserve Bank of India. In the late 80s Indian mutual fund market witnessed the entry of several public sector players and in 1993 private sector (including foreign fund management companies) was permitted to enter into the market. The entry of private-sector led to the availability of more options to the investors and tougher competition to market players. (Sharma, 2012)

A mutual fund is a type of investment vehicle consisting of various stocks, bonds, and other financial instruments. It is a type of financial investment tool that gives small or individual investors access to professionally managed portfolios of equities, bonds, and other securities.

Mutual funds are managed by Fund managers, this is a key factor that attracts retail investors into investing in mutual funds, as they are managed and overlooked by professionals. Mutual funds gather money from the investors and in turn use this money to buy other securities, such as stocks and bonds. The value of the mutual fund company is determined by the performance of the securities that are to be included in the portfolio. So, when you buy a unit or

share of a mutual fund, you are buying the performance of its portfolio or, more precisely, a part of the portfolio's value. (**Investopedia, n.d.**) A share of a mutual fund represents investments in many different stocks instead of just one holding. The price of a mutual fund share is referred to as the net asset value (NAV) per share, sometimes expressed as NAVPS. A fund's NAV is derived by dividing the total value of the securities in the portfolio by the total amount of shares outstanding. (**Investopedia, n.d.**)

Mutual Funds as a tool of investment for retail investors in India. If you are looking for diversification in investment and are not willing to depart with a huge sum, then mutual funds are a tool to be considered. The mutual fund industry in recent times has emerged as a very promising tool of investment. It is believed to have the ability to tap the savings of the common man.

The mutual funds' industry has witnessed tremendous growth alongside facing challenges over the past few years. The mutual fund industry has registered a compound annual growth rate (CAGR) of 18% from 2009 - 2013, but the national population is still largely underbanked with a very low level of financial inclusion. (**U K Sinha, 2013**)

Despite the surging popularity of this investment avenue it is to be noted that at the grassroots level mutual fund remains a puzzle, an investor is still caught unaware of the importance of Mutual Funds in the hierarchy of his savings. (**U K Sinha, 2014**). If technology is utilized appropriately Mutual fund industry has the potential to grow exponentially.

Review of literature

A study undertaken by (**Chaudhary, 2016**) has revealed that the level of awareness on mutual funds among investors is low and the demographic factors such as gender and educational qualification have a significant influence on awareness level.

A similar revelation has been done in a study undertaken by (**Mini, 2020**), the reason cited for lack of awareness is that there isn't enough knowledge among the investors on mutual funds.

In a study conducted by (Raheja & Singh, 2019) it was found out that traditional financial instruments are more **popular** among academicians and they are unaware of the other new and innovative products available.

In a study undertaken by (**C.Thiruchelvam & R.Mayakkannan, 2011**) it was found that most of the respondents are financially illiterate, what came as a surprise was that a majority of them despite being in the Finance and Accounting sector are ignorant about the concept of investment, risk and return.

(**Yasodha & Dr., 2015**) their study has identified that college teachers skewed more towards a safe environment for investment and their primary objective is to earn a regular income by undertaking minimum risk.

Research Gap

From the review of literature, it is clear that there have been some studies undertaken to understand the level of awareness among individuals regarding the various investment avenues in general. Mutual funds have gained immense popularity over the last few years, they have found themselves in the portfolio of only a very few investors, teachers being skewed towards investment avenues that are safe and provide a regular income (Yasodha & Dr., 2015), it will be interesting to find out the awareness level of teachers towards mutual fund considering how diversified the mutual funds are. This will help in marketing the mutual fund products.

Objectives of the study

- Identify the level of awareness of academicians towards mutual funds
- To assess the relationship between Annual Income and Investment
- To analyze the investment preferences among academicians

Hypothesis of the study

Ho	There is no relationship between annual Income and Income Invested
Ha	There is a relationship between annual Income and Income Invested

Methodology

The study is mainly based on both primary and secondary data. The primary data collected by the researchers from 50 academicians across the city of Bengaluru (North) through structured questionnaires and secondary data collected from various websites, journals, and articles, etc. The researcher used a convenience sampling technique for collecting the data. Factor analysis, Rank, Chi-square are the tools used by the researcher to analyses and interpret the data.

Data Analysis and Interpretation

Table 1: Awareness level of Respondents on Mutual Funds

Statements	Component
Regular Income	.244
Safety of the Income	.664
The principal amount of Investment	.835
Lumps Gain	.144
Risk appetite	.755
tax benefits associated with mutual funds	.845
provide regular dividends	.059
Expense Ratio as a percentage of your investment	.093
Term of the fund Manager	.398
the specific scheme in which you invested	.442
Term of SIP	.755
aware of the term open-ended and close-ended mutual fund scheme	.280
Term Of NAV	.394

Source: Primary Data

Interpretation

The above table explains the Awareness level of Respondents towards Mutual Funds in which the Tax Benefits is the dominant factor and second dominant factor is Principal amount of investment i.e., clearly shows why respondent prefer the Mutual Fund but, least dominant factor are dividends, expense ratio, lumps gain which clearly shows i.e., respondents are not satisfied with the return what the earn from the Mutual funds.

Table 2: Cross Table

Annual Income of the respondent * percentage of income invested per year Cross tabulation					
Count					
		Percentage of income invested per year			Total
		< 10 %	10% to 20%	20% to 30%	
Annual Income of the respondent	2 Lacs to 4 Lacs	11	7	1	19
	4 Lacs to 6 Lacs	3	15	5	23
	Above 6 Lacs	1	7	0	8
Total		15	29	6	50

Source: Primary Data

Table 2.1: Chi-Square test

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.319 ^a	4	.006

Source: Primary Data

Interpretation

F = 14.319, P value = .006

Since the P-value is < 0.05, Therefore, Ha is accepted. Chi-Square Test was conducted to find out if there is a significant relationship in the Annual Income and Income Invested per year. As the level of significance is less than 0.05, it can be concluded that there is a significant relationship between the annual income and income invested.

Test of Hypothesis

Ho	There is no relationship between annual Income and Income Invested	Rejected
Ha	There is a relationship between annual Income and Income Invested	Accepted

Table 3: Investment Preferences

Investment	SA	A	N	DA	SDA	WAS	WA	Rank
Property	19	9	7	9	6	176	3.52	IV
Insurance	16	13	10	7	4	180	3.6	III
Mutual funds	26	9	2	7	6	192	3.84	I
Stock markets	23	8	7	7	5	187	3.74	II
Commodity markets	12	16	3	15	4	167	3.34	V
Bank deposits	15	11	5	14	5	167	3.34	V

Source: Primary Data

(SDA=Strongly Disagree, DA=Disagree, N=Neutral, A=Agree, SA= Strongly Agree, WAS= Weighted average system, WA=Weighted Average)

From the above data, it is evident that mutual funds top the list when it comes to investment preferences among academicians followed by the stock markets. It is interesting to note that investment in insurance has bagged a place in the top three. However, properties are not preferred by most of them and surprisingly bank deposits have secured the least rank along with commodity markets.

Findings

In this study, the researches set out to explore the level of awareness among academicians, to understand the popularity of mutual funds and its modus operandi. The study revealed several facts and they are as follows:

- the respondents are aware of the various tax benefits associated with an investment in mutual funds, also the fact that the principal amount is safe in mutual fund investment in contrast to investment in shares of companies.
- the respondents are caught unaware of certain crucial elements that have to be kept in mind while investing in mutual funds such as expense ratio, open and close-ended mutual funds, the specific schemes of mutual funds, etc.,
- a majority of respondents are only investing anywhere between 11 to 12% of their annual income.
- when it comes to choosing an avenue for investments, Mutual funds, stock market, and insurance have bagged the first, second, and third place on this list of preferences.

Suggestion

The study has revealed that the respondents have a superficial understanding of the investment tool called a mutual fund. Through this study, the researchers have the following suggestions

- to the investors- spend more time reading the clauses and various terminologies related to mutual funds as these factors can play a major role in influencing the decision making of an investor and help in analyzing its profit and loss.
- the mutual fund companies- can take it on them to create awareness on mutual funds among the clients, thereby enriching the clients with more technical details, this can be done by establishing a strong customer relationship management technique.

Conclusion

Mutual funds are slowly but steadily making their way into the portfolio of retail individual investors, they are being looked into as a prospective investment avenue, mutual funds cater to the needs of the various strata of people, but because of the lack of awareness of the nuances of the investment avenue, its full potential is far from being tapped, this can be overcome by simplifying the details and making it available for a layman to understand. The mutual fund companies have to take the initiative to make the concept familiar by way of advertisements, awareness campaigns, strong customer relationship managers etc.

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