



Mutual fund awareness amongst people in Wardha City, India

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Abstract

Mutual funds emerge as the important investment tool in this era. It is very dynamic and attracting avenue to park funds with for the mutual funds. They emerged as an important investment instrument in the recent time for the people with variety of investment objectives. They act as important investment avenue where investors can park the funds as per their needs and financial goals. Still we see there is lack of knowledge and information about the mutual funds amongst the people. There is need for creating more awareness about mutual funds amongst the people. This study also focuses on the same for knowing the awareness of mutual funds in Wardha city, India. Paper attempts to find the financial education among the people in Wardha city with respect to mutual funds. And at the end research paper would put certain suggestions for increasing financial awareness on mutual funds.

Keywords: Mutual Funds, investment instrument, financial education, financial awareness.

Introduction

Financials of people are being the vital part of their life. In the today's world financial planning forms a special part in the lives of the people. People are much concerned about the financial planning now-a-days. Financial planning includes income, expenditure and savings. In this savings are crucial as they are for future contingencies. Savings are somewhat which has been saved from current income to meet future or uncertain contingencies. In India also savings habit is prevalent in each and every household. Savings is considered as an important factor in India by each person and hence at every level we can see that there is some portion that has been saved by them for future. In order to get return on this saved amount we usually invest them some or other kind of securities. By this we try to get an extra return on the savings which out definitely get added in our savings.

There are various avenues where these savings can be invested like gold, fixed deposits, shares; mutual funds etc. Earlier fixed deposits and gold were most popular form of investment in traditional era but now a day mutual funds are also becoming an option for the investment. In the developing economy like India where income level of the people is not high and the same time earnings on savings would not be much high considering the future aspects and hence there comes the need of the mutual funds¹.

Mutual funds are a trust that pools the savings of investors who share the same financial goal. The money collected from the investors is used to invest in the share market i.e. capital market by creating pool of that money collected from investors. While the income earned from the money invested in the capital market is shared with the mutual funds unit holders by the

company². And hence mutual funds are considered an ideal investment option of the investors who don't have the market knowledge and also cannot impart their time also for the investment purpose but still want to earn a handsome amount on their savings. There are various advantages for mutual funds like diversification, liquidity; simplicity etc. and it was also mentioned that there is bright future of mutual funds in India for investors as they are offering good returns in growing market of India³. But investors are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose and also they have lack of awareness about the various functions of mutual funds⁴.

Mutual funds are the best option for the investors who want to invest in the capital market but do not have enough knowledge and large amount of money to invest in market. But the fact is that there is still very less knowledge of mutual funds in people of India and hence the investment in mutual funds is also less which can be evident from various research⁵. Even it is seen that people usually go for insurance schemes like ULIPs, etc. over mutual funds though they are having less benefits as compared to mutual funds⁶. Though first mutual funds were introduced by UTI in the year 1963 but still there is not much awareness of mutual funds in the people. Considering this problem the study is undertaken to know the mutual funds awareness among people in Wardha city as the city is semi-urban area the study would be much necessary. The study will try to know the awareness of mutual funds which means whether they know what are mutual funds, how they work, what are its benefits and risk associated with it and what are the mode of investment in mutual funds. Studies showed that more awareness should be created in the minds of investors regarding mutual funds⁷.

Objectives of the study: i. To study the knowledge level of people about mutual funds in Wardha city. ii. To find awareness of mutual funds amongst people in Wardha city. iii. To find out the investment knowledge of citizens in Wardha city of mutual funds.

Sources of Data Collection: i. Questionnaire. ii. Observation. iii. SEBI and IRDA through their news, policies and regulations. iv. Research articles. v. Referred journals. vi. Reference books.

Limitations of the Study: i. This study will be limited to the study of investor awareness about Mutual Funds only. ii. It will be based on available data. iii. The study was limited to Wardha city only. iv. Only few samples were collected from the universe to conduct study. v. There was time constraint also for study which is a limitation.

Review of Literature: Researchers have focused about awareness and opinion of investors about mutual funds. Data is collected from secondary sources. The objective of the study was to know about the opinion of investors towards mutual funds and knowledge about investment in mutual funds. Authors have concluded at the end that risk and returns are the major factors which influence any investor before investing in any type of securities. The investors have objective of maximizing returns with minimizing risk⁸.

The study investigated the reasons accountable for lesser recognition of mutual funds as a prime investment option. For this a sample size of 250 mutual fund investors were taken as respondents for the study. It is observed that in a developing country like India the public investing money in mutual funds is far less when it is compared with other developed country like USA which is a severe concern. In the research paper an attempt was made to find out reasons behind less investment by people in mutual funds⁹.

Arathy et al. has studied about the factors affecting retail investor decision and their preferences while selecting mutual funds in Trivandrum and Ernakulam. Research paper has objective of finding out factors affecting investment decision of investors on mutual funds and its preference over retail investors. A survey has been conducted with a sample size of 200 mutual fund investors from two different cities i.e. Trivandrum and Ernakulam. While studying investors' perception and preference towards mutual funds it was seen and found that the total money invested is small, but the numbers of investors are still large. But there is still large scope in the field for growth¹⁰.

The classification of the mutual funds is discussed by researchers. The study was conducted to investigate and evaluate the performance of different types of mutual funds in India was purpose of the study taken by researchers. It was concluded that mutual funds have brilliant future and suggestion was made that portfolio managers should have two crucial skills

for successful investing i.e. sense of timing and investment discipline for proper investment decisions¹¹.

In paper researchers have collected data from total 100 educated investors from Cuttack & Bhubaneswar city. It has taken into account age, education, profession, gender, objective, company brand image for their study. The survey disclosed that professionals mostly invest in mutual funds while government servants invest in maximum extent. Still large number of investors has agreed that they invest more in insurance products not in mutual funds which is the area of improvement for the mutual fund companies to have some growth in the share of investment and most of these mutual fund investors invest in open ended funds¹².

Methodology

Universe: Universe for the study is Wardha city from which sample would be selected with population of 1.26 lakhs as per the census of 2011.

Sample Size: Sample size for the study was of 170 respondents.

Sampling Method: Random Non Parametric Sampling method was used in the study.

Results and discussion

The data collected through the questionnaire is analyzed after considering each factor and the analysis is presented below:

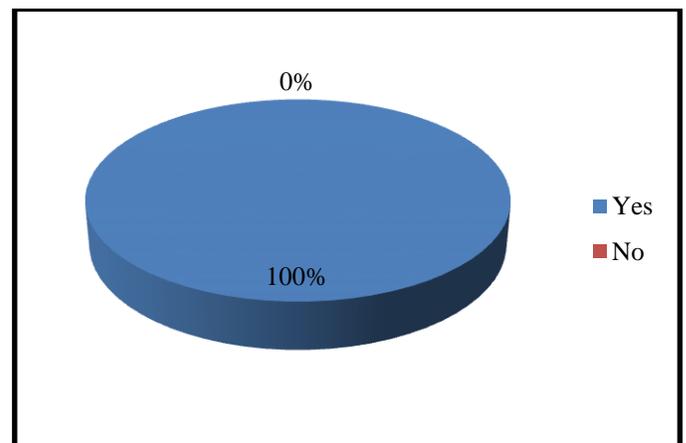


Figure-1: Belief in savings.

Do you believe in savings?

From the Figure-1, it is quite clear that all respondents in the Wardha city believe in savings, which can be used for the future contingent liabilities of incidents. This means people do have savings with them.

Do you invest your savings?

From Figure-2 it is seen that nearly 82% of the respondents invest their savings so that they can earn growth in their savings

while 12% respondents said that they invest their savings sometimes. Only 6% said that they never invest their savings anywhere.

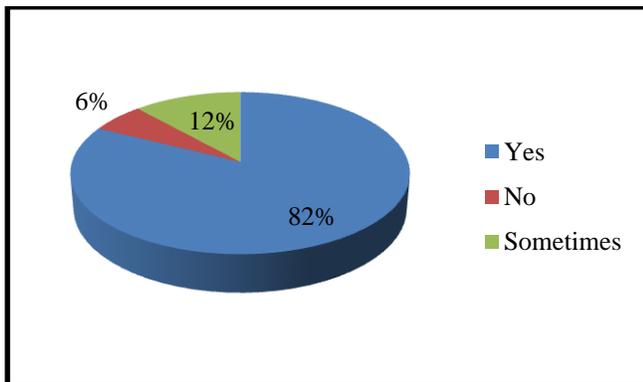


Figure-2: Investment of savings.

answering this question 110 respondents i.e. 65% respondents said that yes they have invested in the mutual funds to enjoy the benefits of mutual funds while 35% people said they have not invested in mutual funds till now.

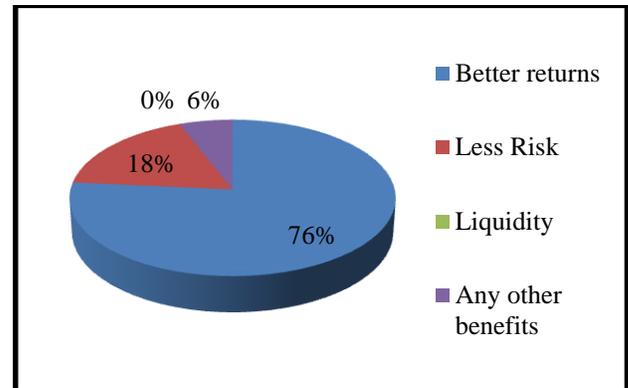


Figure-5: Reason for investment in mutual funds.

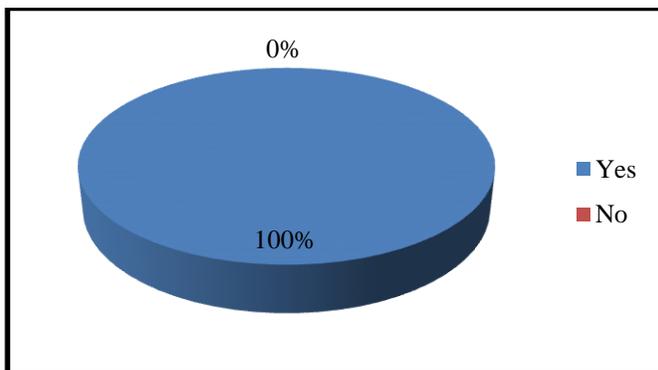


Figure-3: Know concept of mutual funds.

What would be the main reason for investment in mutual funds? From this pie chart it has been seen that there are various reason of respondents to invest in the mutual funds of which majority of respondents said that their main reason for investment in mutual funds is for better returns than any other investment avenues like fixed deposits, property, gold, etc. While 18% people said that they invest in mutual funds as there is less risk associated with it than other investment instruments and none of respondents said that their main motto for investment in mutual funds is liquidity while 6% said that they invest in mutual funds for other associated benefits.

Do you know the concept of Mutual Funds?
 When the respondents were asked whether they know the concept of mutual funds or not all the respondents said that they know the concept of mutual funds. They responded that they know what mutual funds are.

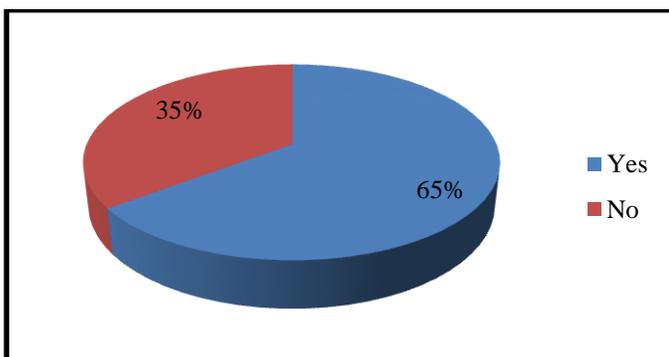


Figure-4: Invested in mutual funds.

Have you ever invested in mutual funds?
 After getting the response that all the respondents know the concept of mutual funds they were asked that whether they have invested their funds in mutual funds at any point of time. While

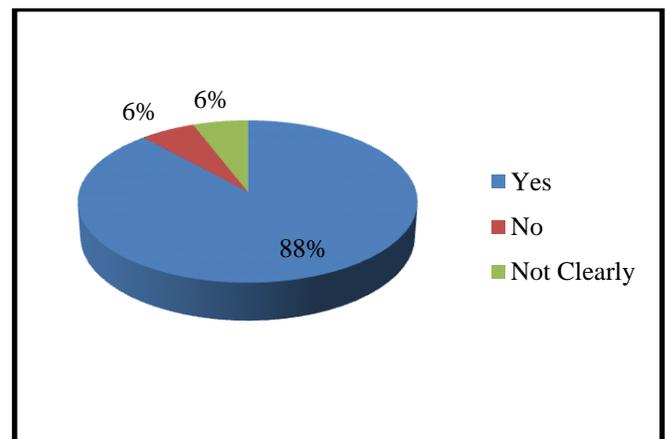


Figure-6: Know concept of SIP.

Are you familiar with concept of SIP (Systematic Investment Plan)?
 After the above response, respondents were asked in deep about terms related with mutual funds. They were asked about SIP (Systematic Investment Plan) concept in which 88% of people know the concept the SIP and are aware about it. While 6% has responded that they don't know the concept of SIP and again 6% does not have clear idea about SIP.

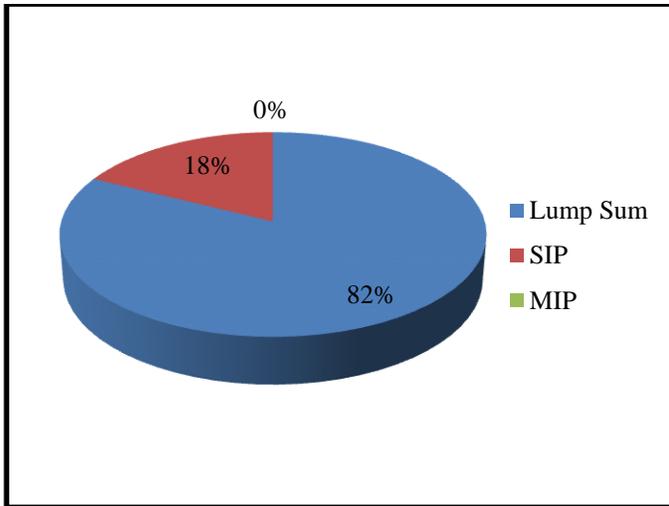


Figure-7: Form of mutual funds investment.

What is your usual form of Investment in mutual funds? Then they were asked about the preferred usual form of investment in mutual funds. In this most of respondents answered that they prefer lump sum one time investment in mutual funds while only 18% prefer SIP and no one go for Monthly Income Plans.

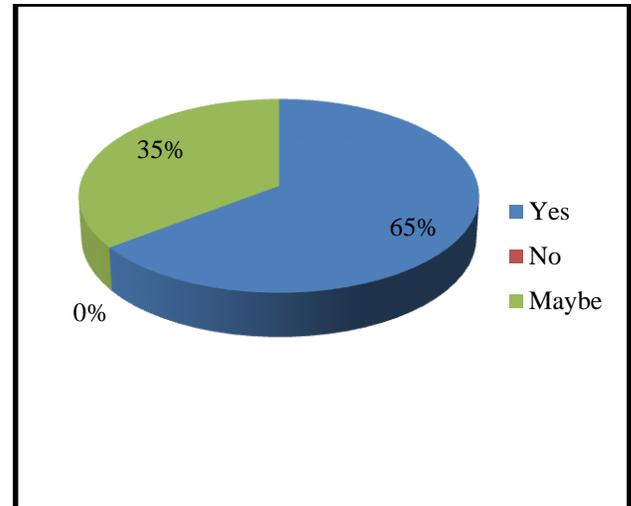


Figure-9: Making people aware of mutual funds.

Would you like to make more people aware about mutual funds in future?

Lastly, people were asked whether they would make people aware about investment in mutual funds if they get chance. In this 65% responded positively that they would make people aware about mutual funds while 35% send they may make people aware about mutual funds in future.

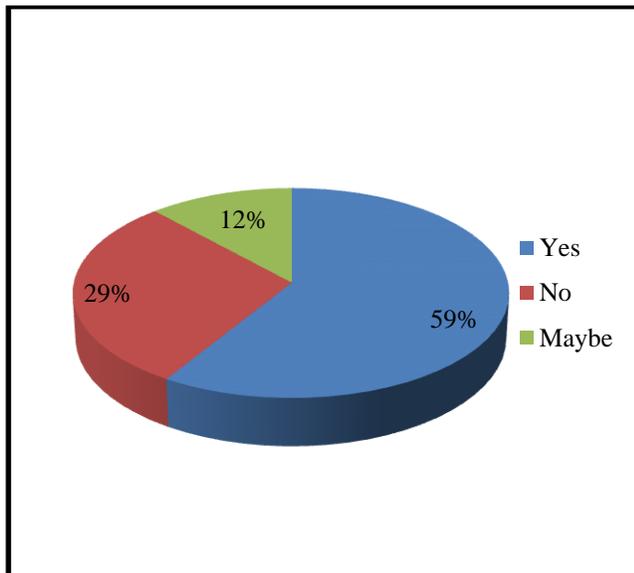


Figure-8: Awareness of mutual funds working.

Are you aware of the working / investment methodology of mutual funds?

When respondents were asked about awareness and knowledge of working/ investment methodology of mutual funds, 59% said that they have quite information about much funds are aware about working of mutual funds and hence they have invested in mutual funds. While 29% do not have knowledge of mutual funds and 12% were uncertain about their knowledge about working of mutual funds.

Conclusion

Thus it can be concluded from above analysis that people are aware about mutual funds as an investment option in Wardha city. But still there is necessity to create more awareness about mutual funds between people because still the investment amount is quite less in mutual funds as compared to other developing countries like India. In Wardha particularly people are investing in mutual funds but are not aware of its detailed types and plans which keep them aloof from the benefits they can derive from this investment option as per their need. It is seen that still people are not much aware about the concept of SIP and MIP in mutual funds.

There is still need for creating awareness about mutual funds, its working, investment pattern so that investors would be encouraged to invest in the mutual funds and derive the benefits of it. There should be workshop conducted by the AMC where experts will tell public what are mutual funds, what are benefits associated with it, where the funds are invested, what is method of working of mutual funds, etc.

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