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DIAGNOSTIC STUDY OF MUTUAL FUND INVESTORS IN RURAL AREA OF SOLAPUR DISTRICT

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ABSTRACT

Recently Financial Markets are more extensive and competitive and able to fight against inflation. Mutual Fund as a part of such market becomes famous among investors because of easy liquidity, affordability, flexibility and good returns. It is found that many investors are not aware of Mutual Fund Investment; as they are more depend upon low risk investment avenues such as fixed deposits, post office schemes. It is thus time to study the behavior of mutual fund investor. This research paper gives emphasis on number of elements that highlights investor’s behavior about Mutual Fund.

KEYWORDS: Behavior, Investment, Low Risk, Mutual Fund

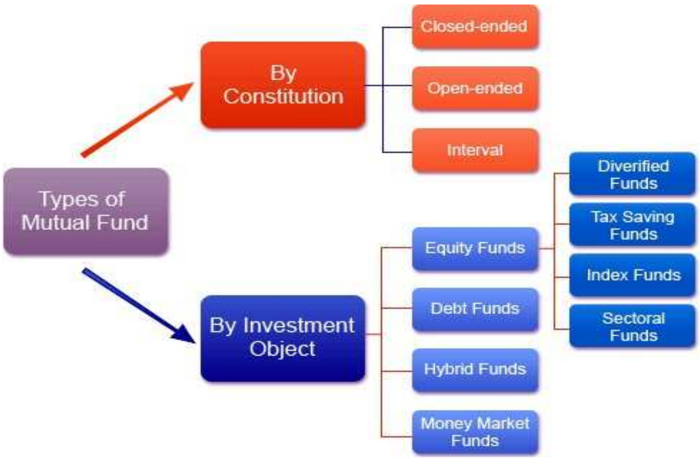
INTRODUCTION

Mutual fund is an investment vehicle gives investor the multiple benefits. Mutual fund is not just shares. But it invests in equity shares, corporate debts, government debt, gold and all available asset classes or some of the combination of these assets. So in a sense, a mutual fund is a vehicle that allows investor to invest in all other asset classes. The combined holdings of the mutual fund owns are known as its portfolio. Each unit represents an investor’s proportionate ownership of fund’s holdings the income these holding generate

For the most part, investors should buy mutual funds as a long-term investment. The nice thing about mutual funds is that the objectives change from fund to fund. Each mutual fund has a different strategy - it is your job to decide what your objectives are and which fund best suits those objectives. Mutual fund strategies include growth, aggressive, low risk, balanced, momentum, and many others. These are funds operated by an investment company, which raises money from the public and invests in a group of assets (shares, debentures etc.), in accordance with a stated set of objectives. It is a substitute for those who are unable to invest directly in equities or debt because of resource, time or knowledge constraints. Benefits include professional money management, buying in small amounts and diversification. Mutual fund units are issued and redeemed by the *Fund Management Company* based on the fund's net Asset value (NAV), which is determined at the end of each trading session.

Diversification is one of the best ways to reduce risk; Mutual funds offer investor an opportunity to diversify across the assets, depending on their investment needs. Investor can sell their mutual fund units on any business day and receive the current market value. Certain mutual fund schemes offer investor tax benefit.

Types of Mutual Funds



Source- Moneyvarta.wodpress.com

Figure 1

Individual can invest in mutual funds through various methods

- **Systematic investment Plan (SIP) -** SIP has brought mutual funds within the reach of an average person as it enables even those with tight budgets to invest Rs 500 to Rs. 1000 on a regular basis in place of making a heavy one time investments. This enables one to invest earlier and realize benefits of compounding to the maximum.
- **Systematic Withdrawal Plan (SWP) -** SWP allows investor to withdraw money from mutual fund in pre-determined installments at periodic intervals. It allows investor to choose quantum and periodicity of withdrawals from the fund
- **Systematic Transfer Plan (STP) –** STP allows individual to make periodic transfers from one fund to other. Therefore, an STP could be a tool to rebalance individual’s portfolio.
- **Dividend Payout/Growth** - In Dividend Payout option share of profit that is dividend is paid periodically to investor whereas In Dividend Growth option share of profit of investor is reinvested in the said fund.

Types of Mutual Funds

Each fund has predetermined investment objectives that tailor the fund’s assets, regions of investment and investment strategies. At the fundamental level, there are three varieties of mutual funds:

Equity Funds (stocks)

Fixed Income Funds (bonds)

Money market funds Mutual funds also be classified as open ended or closed end, depending upon the maturity date of the fund

Open- Ended Funds: An open-ended fund does not have a maturity date,. Investors can buy and sell units of an open-ended fund from Asset Management Company. The prices at which purchase and redemption transactions take place in a mutual fund are based on net asset value.

Closed-End Funds: Closed –end Funds run for a specific period. on the specified maturity date ,all units are redeemed and the scheme comes to a close

Various Modes for Investing in Mutual Funds

- **Self Investment :** If investor know exactly in which fund to invest in and how much to invest, then he can do so
- **Agent though investment:** Agent will advice the investor on picking the right fund and also does the paperwork.
- **Demat Account:** Investor can invest in mutual fund through online broking account and also sell the mutual funds through same account.

Structure of Mutual Fund: Mutual fund comprise four constituents

- Sponsors
- Trustees
- Asset Management Company(AMC)
- Custodians

SEBI’s regulations clearly specify the role of each constituent.

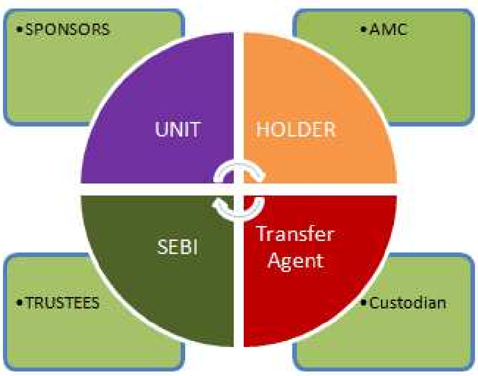
Sponsor: The Sponsor establishes a mutual fund. It could be a registered company, scheduled bank or a financial institution

Asset Management Company (AMC): The AMC manages the money of mutual fund. An AMC takes investment decisions, compensates investors through dividends, maintain proper accounting and information of pricing of units, calculates net asset value.

Trustees: Trustees hold the property o the mutual fund for the benefit of the holders.

Custodian: Custodian is responsible for safekeeping securities and other assets of a mutual fund. He is responsible for receipt and delivery of securities, collecting income, distributing dividend.

Organization of Mutual Fund



Source: portal amfiindia.com

Figure 2

REVIEW OF LITERATURE

Gupta Ramesh, 1991, argues that designing a portfolio for a client is much more difficult task than merely picking up securities for investment. The portfolio manager needs to categorize with the awareness of his client while designing his portfolio. According to Gupta, investors in India regard equity debentures and company deposits as being in more or less the similar risk category, and consider mutual funds, including all equity funds, almost as safe as bank deposits.

A.N. Shanbhag, professional and expert on scientific management of investments of small investors , in his book titled " In the Wonderland of Investment" advises that invest in only those companies you are well-known with, Be patient and have patience. He used "Share Bazaar" phrase, "Be a Bull or Bear but not a Bakara".

D.S Rawat[49], 2010, expose that of the total investment model in the urban India founds that, 65% investment goes to real estates, 20% in the investment of gold, about 10% urban Indians favor investment in insurance, provident funds, pension funds, fixed deposits and government bonds and certificates. It is clear that only about 5% investors prefer shares, debentures, mutual fund and bonds.

Objectives

- To study the awareness of mutual fund investor
- To amylase the risk ability of mutual fund investors
- To understand the behavior of mutual fund investor

Sample Size

The sample size consists of 40 respondents who invest their savings in Mutual Fund. The respondents are segregated on basis of different variables such as gender, age, income and occupation

Data Source

The Source of data would be primary and will be collected through questionnaires

Profile of investors

Table 1: Classification of Respondents According to Gender, Age, Income and Occupation

Gender		Age		Income		Occupation	
Male	28	Less than 35 yrs	19	< 50000 p.m.	14	Salary earners	32
Female	12	Above 35 yrs	21	➢ 50000 p. m	26	Professionals	08
Total	40		40		40		40

Source: primary data

Out of total respondents 70% are male and 30% are female, out of total respondents

47.5% are below age of 35 years and 52.5% are above 35 years , 35% of the respondent having income less than Rs.50,000 and 65% having income more than Rs.50,0000, 80% of the respondents are salary earners abd only 20% are professionals or businessmen.

Data Analysis

Table 2: Type of Mutual Fund Investment Opt by Respondent

Type of Mutual Fund Investment	Lump Sum	SIP	STP	Total
No.of respondents	23	15	02	40
Percentage	57.5	37.5	5.0	100
Cumulative %	57.5	95	100	

Source: primary data

Out of total respondents 57.55 respondents invest lump sum amount in Mutual Funds, whereas 37.5% invest periodically through SIP and only 5% by STP

Table 3: Mode of Mutual Fund Investment

Mode of Mutual Fund Investment	Self	Through Agent	Through Demat Account	Total
No.of respondents	05	32	03	40
Percentage	12.5	80	7.5	100
Cumulative %	12.5	92.5	100	

Source: primary data

12.5% respondents invest in Mutual fund schemes without any assistance; they do their paperwork and invest accordingly, whereas 80% invest their money through agents, and remaining 7.5% respondents invest through share broking firms through Demat account.

Table 4: Risk Awareness in Mutual Fund Investment

Knowledge of Risk	Yes	No	Total
No.of Respondents	28	12	40
Percentage	70	30	100
Cumulative %	70	100	

Source: primary data

70% respondents knew the risk involved while investing in Mutual Funds whereas 30% respondents were not aware about the risk involved in these investment.

Table 5: Risk Analysis in Mutual Fund Investment

Knowledge of Risk	Yes	No	Total
No.of Respondents	17	23	40
Percentage	42.5	57.5	100
Cumulative %	42.5	100	

Source: primary data

Out of 28 respondents only 17 respondents amylase the risk involved in investment of Mutual Fund, that is only 60% of risk aware respondents were analyzing their risk attached in the investment

Table 6: Is Mutual Fund a Profitable Investment

Profitable Investment	Yes	No	Total
No.of Respondents	31	09	40
Percentage	77.5	22.5	100
Cumulative %	77.5	100	

Source: primary data

Near about 78% respondents said that the investment in Mutual Fund is profitable and remaining 22% are not satisfied by investing their savings in Mutual Fund.

Table 7: Mutual Fund Investment Preference

M.F.Investment	Existing Scheme	New Scheme	Total
No.of Respondents	34	06	40
Percentage	85	15	100
Cumulative %	85	100	

Source: primary data

85% of the respondents invest their savings in existing funds that is they invest their money as per the past performance of that fund and only 15% were taking initial risk and invest their savings in new fund or scheme.

Table 8: Reasons for Switching From One Scheme to Another

Reason	Security	Profitability	Total
No.of Respondents	15	25	40
Percentage	37.5	62.5	100
Cumulative %	37.5	100	

Source: primary data

Out of the total respondents 37.55 were diversified their investment in view of maximum profitability and remaining 62.5% were diversified their investment in security point of view.

FINDINGS AND CONCLUSIONS

- Mutual Fund companies should come forward with full support for management in terms of advisory services.
- Government should give more tax rebate on Mutual Fund investment.
- Investor should take the help of private financial consultant for their portfolio management.
- Periodical review should be done and risk analysis should be done regularly and properly.
- Investor should have a habit of regular saving and should keep the investment for long period.

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