
CHAPTER I

INTRODUCTION AND RESEARCH DESIGN

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1.1 INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them (pro rata). Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds. Each Mutual Fund scheme has a defined investment objective and strategy. (Vaid, Seema (1994))

A mutual fund is the ideal investment vehicle for today's complex and modern financial scenario. Markets for equity shares, bonds and other fixed income instruments, real estate, derivatives and other assets have become mature and information driven. Price changes in these assets are driven by global events occurring in faraway places. A typical individual is unlikely to have the knowledge, skills, inclination and time to keep track of events, understand their implications and act speedily. An individual also finds it difficult to keep track of ownership of his assets, investments, brokerage dues and bank transactions etc.(Chandra ,Prasanna(1995))

A mutual fund is the answer to all these situations. It appoints professionally qualified and experienced staff that manages each of these functions on a full time basis. The large pool of money collected in the fund allows it to hire such staff at a very low cost to each investor. In effect, the mutual fund vehicle exploits economies of scale in all three areas - research, investments and transaction processing. While the concept of individuals coming together to invest money collectively is not new, the mutual fund in its present form is a 20th century phenomenon.

In fact, mutual funds gained popularity only after the Second World War. Globally, there are thousands of firms offering tens of thousands of mutual funds with different investment objectives. Today, mutual funds collectively manage almost as much as or more money as compared to banks. (Gupta, L.C (1993),)

A draft offer document is to be prepared at the time of launching the fund. Typically, it pre specifies the investment objectives of the fund, the risk associated, the costs involved in the process and the broad rules for entry into and exit from the fund and other areas of operation. In India, as in most countries, these sponsors need approval from a regulator, SEBI (Securities exchange Board of India) in our case. SEBI looks at track records of the sponsor and its financial strength in granting approval to the fund for commencing operations. A sponsor then hires an asset management company to invest the funds according to the investment objective. It also hires another entity to be the custodian of the assets of the fund and perhaps a third one to handle registry work for the unit holders (subscribers) of the fund.

In the Indian context, the sponsors promote the Asset Management Company also, in which it holds a majority stake. In many cases a sponsor can hold a 100% stake in the Asset Management Company (AMC). E.g. Birla Global Finance is the sponsor of the Birla Sun Life Asset Management Company Ltd., which has floated different mutual funds schemes and also acts as an asset manager for the funds collected under the schemes.

1.2 STATEMENT OF THE PROBLEM

As mutual funds are sensitive investment it has a high risk, as it is associated with stock markets. It is affected by the various factors such as sensex, environmental changes, inflation rates etc.

Also, sometimes customer may be cheated saying for high returns .the funds or plans are complicated to understand to common people compared to other investment avenues. Also, some funds have low returns and high risk. These are the various problems regarding mutual funds so researcher has decided to do the study of these problems.

1.3 TITLE OF THE RESEARCH

The title of proposed research is **“A STUDY OF AWARENESS AND INVESTORS PERCEPTION REGARDING MUTUAL FUNDS IN SANGLI AND MIRAJ CITY”**.

1.4 NEED OF THE STUDY

The need of study has been aroused in order to see the preference, awareness and the investors perception regarding the mutual funds in the Sangli and Miraj city.

The mutual funds industry has grown by leaps and bounds in last couple of years. Following the strengthening of regulatory framework there is now greater transparency and credibility in the functioning of mutual funds and has been successful in regaining investor's faith. But to sustain the momentum it should start focusing on the areas where greater accountability and transparency could propel the industry towards a new growth trajectory. As of now big challenge for the mutual fund industry is to mount on investor awareness and to spread further to the semi-urban and rural areas. These initiatives would help towards making the Indian mutual fund industry more vibrant and competitive. To make this happen it calls for a greater role not only part of the regulator but also on industry and distributors and ensure that investor confidence is maintained through consistent performance and best business practices.

Mutual Funds have emerged as an important segment of financial markets and so far have delivered value to the investors. But no industry can flourish without a proper regulatory mechanism in the place. SEBI has played a vital role in regularizing the mutual fund business. From time to time it has tried to plug the loopholes prevailing in the system and safeguard the interest of investor who has been the backbone of this unprecedented growth.

1.5 OBJECTIVES OF THE STUDY

The study has been undertaken and various objectives have been determined. These objectives are as follows:-

1. To get insight knowledge about mutual funds.
2. To study and analyze awareness of investors regarding mutual funds.
3. To study the investors perception w.r.t. mutual funds.
4. To measure satisfaction of investors about mutual funds.
5. To suggest remedies if any, for the future plans.

1.6 SCOPE OF THE STUDY

The scope of the study is highlighted under the following headings:

Geographical Area: The geographical area for the present study is the entire Sangli and Miraj City.

Topical Scope: The topical scope of the present study is restricted to the awareness and investors perception regarding mutual funds.

Analytical Scope: The analytical scope covers the aspects pertaining to the fulfillment of the objectives pre-set for the study.

Functional Scope: The functional scope includes concrete findings for perception of customers regarding mutual funds. The study covers the customers of Sangli and Miraj city.

1.7 HYPOTHESIS OF THE STUDY

Based upon the objectives the researcher has developed the following hypothesis:

H1: Mutual fund investment yields low returns.

(Here mutual funds returns are compared with bank deposits, fixed deposits)

H2: Most of the investors invest in Mutual Funds for the purpose of tax saving.

1.8 RESEARCH METHODOLOGY

For this study a survey conducted by collecting information from various sources. For the purpose of collecting information both primary and secondary data was used. The study is mainly aims to now the “A STUDY OF AWARENESS AND INVESTORS PERCEPTION RERGARDING MUTUAL FUND IN THE SANGLI AND MIRAJ CITY”. The study undertaken is of exploratory in nature. The present chapter deals with the database and research methodology. This chapter explains the research design, universe of the study, selection of sample, data collection techniques and tools used in data analysis.

1.8.1 Sample Design

This survey targets 510 customers on the basis of the questionnaire. The pilot survey was taken of 500 customers, out of which 200 were aware about mutual funds and 300 were not aware. For analysis 200 investors are taken those who aware are considered and 10 are the mutual fund managers of 10 different mutual fund companies are considered.

1.8.2 Collection of Data

Considering the objectives of the study, it was decided to collect the data pertaining to economic development of Sangli and Miraj city. It was decided to collect all data except statistical pertaining to Sangli and Miraj city from the primary source and survey was conducted accordingly. The methodology adopted for collecting the data is as under –

1.8.2.1 Primary data:

Generation and Organization of any primary data is always a challenging task, particularly for an individual researcher. To collect such information is more time consuming, but it is likely to yield a more accurate picture than a study based on secondary data. The primary data has been collected through personal observations, questionnaire method. With these basic principles of

data collection in mind and for making the study scientific, the following steps were taken while collecting the primary data-

- 1) Selection of Customers:
 - a) Pilot survey was taken of 500 customers, out of which 200 were aware of mutual funds so they were selected.
 - b) 10 mutual fund managers are selected for the study.
- 2) Contents of final Questionnaire schedules:-Three sets of Questionnaire were finalized, one for unaware customers, second for aware customers and another for mutual fund managers.
- 3) Analysis of Data: For analysis of the data, the following statistical methods were applied:
 - a) Tabulation and classification
 - b) Likert-type Five Point Scale for customers.
 - c) Percentages and Standard Deviation,
 - d) Computer Applications i.e. the Graphs and Charts were designed with the help of computer.

1.8.2.2 Secondary data

The secondary data has been collected from secondary sources of information that included websites, books and previous reports, brochures, journals, magazines, newspapers.

1.9 LIMITATIONS OF THE STUDY

Although the report has been made on the relevant facts and figures but certain problems have been faced, which are as follows: -

Sample size taken is small (200) and may not be sufficient to predict the results with 100% accuracy.

1. Due to paucity of time, money and resources the sample size is limited to respondents which may bring bias in the results.
2. The respondents were sometimes biased while answering the questions.
3. In certain cases the respondents were lazy and they filled the questionnaire without any seriousness.
4. The study only covers the area of the Sangli and Miraj city that may not be applicable to other areas.
5. Unpredictable customer's psychology in itself is another limitation of every consumer behavior study including the present one.

1.9 CHAPTERIZATION SCHEME:-

Proposed research is going to be organized in six chapters as follows-

1. Chapter I : Introduction and Methodology

It highlight the design of the study comprising of statement and description of problem, objectives of study, hypothesis, scope of the study, importance and need of the study, significance of the study, methodology of data collection, limitations.

2. Chapter II : Review of Literature

3. Chapter III : Profile of Sangli City

4. Chapter IV : Mutual Fund Organizations: Overview

5. Chapter V : Data Analysis and Interpretation

In this chapter, the survey collected from the customers has been presented, analyzed and interpreted regarding the mutual funds awareness and perception of customers.

6. Chapter VI : Findings, Suggestions and Conclusion

In the light of the major findings of the work and the conclusions reached, here in this chapter, an attempt is made to suggest some remedial measures regarding the various perceptions and awareness of mutual funds in Sangli and Miraj city.

* **Appendices**

* **Bibliography**

CONCLUSION:-

Today a lot of investment opportunities are available to the investors in the financial markets. Investors can invest in corporate bonds, debentures, bank deposits, post office schemes etc. But nowadays investors opt for portfolio managers to invest money on their behalf. These portfolio managers are experts in stock market operations and invest the money in such a way that the investors would get minimum assured returns. Today many institutions are busy in providing wealth management services to the investors. But these services are very costly. Thus in order to help the investor's mutual funds provide a protective shed to the small and big investors.