

A Study on the Awareness, Perception and the Factors Influencing the Investment Options in Mutual Fund for Salaried Employees with Special Reference To Mangalore City, Karnataka



Commerce

KEYWORDS: Mutual Fund, Investors, investment, salaried employees

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ABSTRACT

In this modern world, Mutual Fund industry is growing very fast by understanding the needs of the investors. Most of the investors usually assume that all capital market investments are risky. Based on objectives and risk bearing capacities, investors go for other investment alternatives. Among the investment possibilities, mutual fund seems to be feasible for all kind of investors as it is considered to be a safer mode of investment. A mutual fund is a trust that pools the savings of a number of investors who have a common financial goal of having secured future. Therefore, mutual fund is the best suitable investment plan for salaried employees and small investors since they need safety and good return on their investment on regular basis. As well as mutual funds offers an occasion to invest their money and earn profit with a relatively low cost. Through this study, an analysis has been made on Mutual Fund as an investment option for salaried people in Mangalore City, Karnataka, India. This paper makes an attempt to briefly examine how the salaried people managing their investments in mutual funds and growing along with the funds.

Introduction

In this modern era the concept of investment is the basic necessity of a common man in order to lead his life in a systematic manner. A variety of investment options are available for general public such as bank, Gold, Real estate, post services, mutual funds & so on. Investors are investing their money with the different objectives such as profit, security, appreciation, Income stability. Most of the investors usually assume that all capital market investments are risky. Based on objectives and risk bearing capacities, investors go for other investment alternatives. Among the investment possibilities, mutual fund seems to be feasible for all kind of investors as it is considered to be a safer mode of investment with the expert's knowledge.

Mutual Fund industry is growing very fast by understanding the needs of the investors. Mutual fund is a trust that pools the savings of a number of investors who have a common financial goal of having secured future. According to SEBI (Mutual Funds) Regulations 1996, a mutual fund is "a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments". Mutual funds are a type of investment, it takes money from investors and it makes investments based on a mentioned investment objective. In mutual funds investors can invest their savings directly or also through a professional financial advisor. Therefore, mutual fund is the best suitable investment plan for salaried employees and small investors since they need safety and good return on their investment on regular basis. As well as mutual funds offers an occasion to invest their money and earn profit with a relatively low cost. Mutual funds are also classified into 5 types. They are: Money Market Mutual Funds, Stock Mutual Funds, Index Funds, Bond Mutual Funds and Balanced Mutual Funds.

Mutual Fund allows us to invest small amount also. Mutual funds will not fix the amount to be invested. This attractive feature of mutual fund is grabbing the attention of salaried employees since there is no compulsory of large investment is needed they feel free to invest out of their savings according to their convenience. In open-ended mutual funds, we can redeem all or part of our units any time. Some schemes do have a lock-in period also. So this exciting feature of mutual funds helps all the salaried employees in their tough times. In fact that is the reason salaried employees are investing so that they can easily access their money during their emergency. Also in mutual funds there will not be much risk. That is why salaried employees prefer to invest their hard earned money in mutual funds without any fear. Most of the employees who work in private sector are very much bothered about their post retired life because most of the private

companies will not provide any benefit after their retirement. Fortunately, now some of the mutual fund schemes are providing the best retirement benefits to those who are in need.

LITERATURE REVIEW:

Salimath (2012) in this study he has concluded that Mutual Funds are essential investment vehicles where people with similar financial goal come together to pool their money and then invest according to their preferences, wants etc. Appreciation or depreciation in value of investments is reflected in Net Asset Value (NAV) of the related scheme, which is declared by the fund from time to time. Various types of international Mutual Fund schemes are expected to come into Indian markets as soon as possible. Finally he has concluded that most of the investors are expecting high returns on their investments with less risk and also they prefer for the safety of their funds.

Rath (2015) in his study he has concluded that mutual funds are the best investment opportunity for investors. Since investors always wants to maximize their returns and minimize the risk. According to his study he says that investment through the mutual fund has become one of the investment avenues for the small investors and also attracting the rural people in recent years. He explained various mutual funds schemes available in his study. He also concluded in his study that investors who are in need of regular income should invest in income plans.

RESEARCH DESIGN:

Objectives of Study:

- To analyze the awareness and perception of salaried employees regarding the investment in mutual funds.
- To find out the factors influencing through the salaried employees to prefer mutual funds in Mangalore.

LIMITATIONS:

- The study shall be limited to salaried people who are employed in private sector.
- The study is limited to Mangalore city only.
- The analysis of the study has been limited to 50 employees.

METHODOLOGY

- Primary and secondary data will be collected.
- Random sampling techniques will be used to collect primary data.
- Sample size shall be total 50 salaried employees.

SAMPLE

The study sample comprised of 50 salaried people in private sector. Using stratified random sampling method the salaried people were classified into two categories on the criterion of gender. 25 were male and 25 were female. Both the respondents male as well as female were salaried employees employed in various Companies and service providing sectors.

TOOLS

A structured questionnaire consisting of closed end questions were framed covering the personal and demographic profile, and other related data were collected.

SOURCES OF DATA

For studying the Mutual Fund as an investment option for salaried employees, primary data is very important. The primary data was collected from the investors of mutual funds with the help of a structured questionnaire. And by adopting convenience sampling, 50 respondents were selected for this study. Out of 50, only 47 investors have come out with valid responses. During the survey the questionnaire was handed over to respondents. And they were asked to return the filled questionnaire after completion.

Secondary data included information collected from various Internet downloads, Books, publications, records and various journals.

ANALYSIS AND INTERPRETATION:

A. General Analysis And Interpretation :

It has been found in the study that 14.9% respondents those who belongs to 18-28 age group are investing in mutual funds, 42.6% respondents those who belongs to 28-38 age group are investing in mutual funds, 19.1% respondents those who belongs to 38-48 age group are investing in mutual funds and 23.4% respondents those who belongs to 48 and above age group are investing in mutual funds. It shows that 28-38 age group respondents are actively participating in mutual funds when compared to other age groups respondents because they are very much interested to secure their uncertain future.

It has been found in the study that 74.5% respondents who are in private jobs are investing in mutual funds, 10.6% respondents who are in government jobs are investing in mutual funds and 14.9% respondents who are running their own business are also investing in mutual funds. It shows that respondents who are in private jobs are very much interested to invest in mutual funds when compared to other types of occupation. Because, who are in government jobs they have a secured future for themselves and also government will look after their future by giving various provisions to them and who are running their own business, they do not have proper knowledge about mutual funds and they are busy with their day-to-day life.

Finally it shows that Respondents who work in private companies are very much likely to invest in mutual funds since they want to secure their future as well as they want financial strength for their family.

It has been noticed that 10.6% respondents whose annual income is Below 1.5Lakh are investing in mutual funds, 55.3% respondents whose annual income is between 1.5 Lakh to 2.5 Lakh are investing in mutual funds, 29.8% respondents whose annual income is between 2.5 Lakh to 5 Lakh are investing in mutual funds and only 4.3% respondents whose annual income is above Rs.5 Lakh are investing in mutual funds. It shows that respondents whose annual income is between 1.5 Lakh to 2.5 Lakh are investing in mutual funds since they want to safeguard their future as well as they want to gain financial strength to their family by saving a part of their salary and investing the same for an extra monetary benefit so that they can fulfil their wants by themselves as well as they can support their family.

It has also been found that, 23.4% investors are investing below 20% of their income every year, 61.7% investors are investing between 20-30% of their income every year, 10.63% investors are investing

between 35-50% of their income every year, 4.25% investors are investing above 50% their income every year. This shows that, salaried employees would like to save a little portion of their income and get the returns out of it, over a period of time. Salaried employees cannot invest more out of their income since their income is limited and they need to manage everything within their capacity. Most of them are investing in order to avail the tax benefits.

It has been found in the study that, 31.91% investors are investing their savings in PPF (Public Provident Fund), 42.55% investors are investing their savings in Mutual Fund, 14.89% investors are investing their savings in LIC, 10.63% investors are investing their savings in Fixed Deposit. This clearly shows that most of the salaried employees are not willing to invest in PPF since their investment will be locked for certain period of time, incase if there is any emergency they cannot make use of their investment. Also these employees cannot invest in LIC, since their investment will not get much returns rather they get only insurance. These employees feel that mutual funds returns are better than fixed deposit scheme where they get more returns, since they are likely to invest more in mutual funds when compared to other investment options.

B. Specific Analysis And Interpretation :

Main Purpose of Investment

Following are the analysis and interpretation: The main purpose of investment has been presented in **Table No. 1** and diagrammatically represented in **Chart No. 1**

Table No. 1 Main purpose of investment

Purpose	No. of Respondents	Total % of Respondents
To meet the cost of inflation	5	10.6
To earn return on idle resources	17	36.2
To make a provision for an uncertain future	22	46.8
To generate a specified sum of money for a specific goal in life	3	6.4
Any other	0	0
Total	47	100

Source: Survey Data

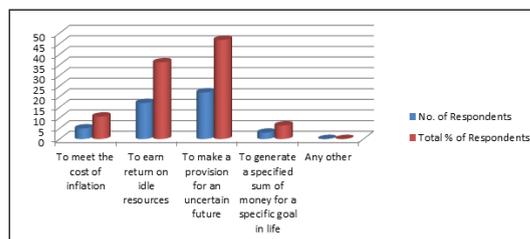


Chart No. 1: Main purpose of investment

As per the study, it has been found that 10.6% respondents main aim to invest in mutual fund is to meet the cost of inflation, 36.2% women respondents main aim to invest in mutual fund is to earn return on idle resources, 46.8% women respondents aim to invest in mutual fund is to make provision for an uncertain future and 6.4% women respondents main aim to invest in mutual fund is to generate a specified sum of money for a specific goal in life.

Ultimately, this graph shows that the main purpose of investment is to make provision for an uncertain future.

Principles of Mutual Fund

Following are the analysis and interpretation: The main principles for selecting mutual fund investments has been presented in **Table No. 2** and diagrammatically represented in **Chart No. 2**

Table No. 2: Principles of Mutual Fund

Principles	No. of Respondents	Total % of Respondents
Enquiring about the fund manager	10	21.3
Finding about its past performance	32	68.1
Identifying your own objectives	5	10.6
Any Other	0	0
Total	47	100

Source: Survey Data

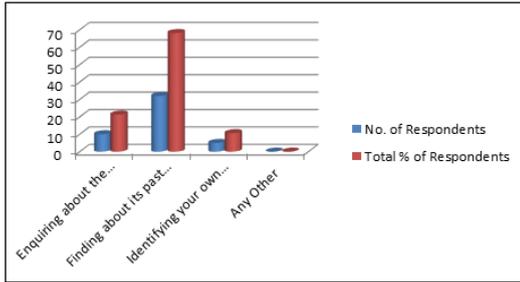


Chart No. 2: Principles of Mutual Fund

It has been found in the study that 21.3% respondents enquire about the fund manager before investing into mutual funds, 68.1% respondents find out its past performance before investing into mutual funds and 10.6% respondents are investing in mutual funds to satisfy their objectives. Ultimately, it has been interpreted that majority of respondents look at the past performance of mutual funds before investing. This gives an impression that how independent they are in decision making.

Important Factors for Investing Money

Following are the analysis and interpretation: The main factors for investing money has been presented in Table No. 3 and diagrammatically represented in Chart No. 3

Table No. 3: Factors for Investing Money

Factors	No. of Respondents	Total % of
Less Risk	13	27.7
High Returns	22	46.8
Liquidity	5	10.6
Company Reputation	7	14.9
Total	47	100

Source: Survey Data

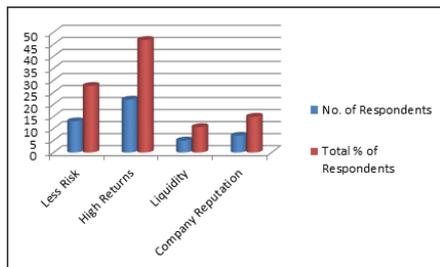


Chart No. 3: Factors for Investing Money

It has been found in the study that 27.7% respondents consider less risk factor before investing, 46.8% respondents consider higher returns factor before investing, 10.6% respondents are considering liquidity factor because their intention of investment is to get the money whenever they want and 14.9% respondents consider goodwill of the company before investing.

Ultimately, this graph shows that most of the respondents consider higher returns factor on their savings before investing. In this regard, respondents are risk lovers as revealed by the study.

Duration of Mutual Fund Investments

Following are the analysis and interpretation: The duration of mutual fund investments has been presented in Table No. 4 and diagrammatically represented in Chart No. 4

Table No.4: Duration of mutual fund investments

Years	No. of Respondents	Total % of Respondents
1 to 3 years	10	21.3
4 to 6 years	32	68.1
7 to 9 years	5	10.6
More than 9 years	0	0
Total	47	100

Source: Survey Data

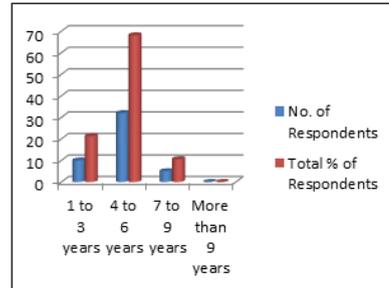


Chart No. 4: Duration of mutual fund investments

It has been found in the study that 21.3% respondents would like to hold their mutual fund investments for about 1-3 years, 68.1% respondents would like to hold their mutual fund investments for about 4-6 years, 10.6% respondents would like to hold their mutual fund investments for 7-9 years and none of them are interested to hold their mutual fund investments for more than 9 years. That means respondents are not ready to take risk but they want higher returns.

Ultimately, this graph shows that most of the respondents are ready to hold their mutual fund investment for about 4-6 years and within that period they want to grab the maximum benefit out of it. This shows that how good they are in financial management.

Benefits of investing in Mutual Funds

Following are the analysis and interpretation: The benefits of investing in mutual funds has been presented in Table No. 5 and diagrammatically represented in Chart No. 5

Table No. 5: Benefits of investing in Mutual Funds

Benefits	No. of Respondents	Total % of Respondents
High Monetary Returns	10	21.3
Tax Benefits	26	55.3
Diversification	11	23.4
Any Other	0	0
Total	47	100

Source: Survey Data

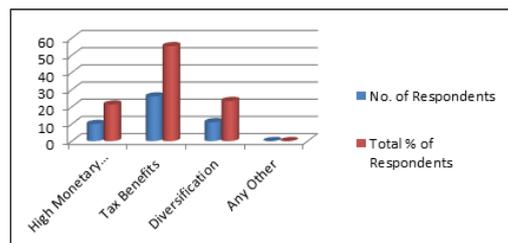


Chart No. 5: Benefits of investing in Mutual Funds

It has been found in the study that 21.3% respondents are receiving higher returns by investing in mutual funds, 55.3% respondents are getting tax exemption benefits by investing in mutual funds, 23.4% respondents consider that diversification is the best benefit of mutual funds.

Ultimately, this graph shows that most of the respondents are getting the tax benefit by investing in mutual funds.

FINDINGS AND SUGGESTIONS:

- Out of 50 investors it has been found in the study that most of the respondents are within the annual income of between 1.5 Lakh to 2.5 Lakh. This shows that most of the respondents belong to middle class category.
- It has been found in the study that only 28-38 age group respondents are much more into investing. That means mutual fund companies need to educate 18-28, 38-48 and 48 and above years respondents and make them feel secured while investing. Moreover, they should explain the in and out of mutual funds so that they also can go forward and invest in mutual funds as it helps them to get a secured future.
- It has been observed that there is a clear demarcation between respondents working in private organizations and those working in government organizations. In this regard, government employees are more secured than those who work in private organizations. Employees working in private organizations should be more inclined towards investments from the point of view of future uncertainties.
- The study shows that respondents are little hesitant in assuming risk. So there is every possibility that they lose many things on many occasions. Holding of mutual funds for 3 to 6 years and to grab maximum benefit out of it proves the point. It has been suggested that employees as investors should invest in long term investments so to earn more profit while taking risk.

CONCLUSION:

Salaried Employees are investing for their future benefits. They allocate their savings in various aspects of investment avenues. Most of them are looking for the safety of their investment along with the high returns. So Mutual fund is the most beneficial option available to the youngsters today. Investment in mutual funds through the Systematic Investment Plan (SIP) is the best option for the youngsters. This is especially true of the young salaried class which has just started earning and does not have a fat bank balance as yet. - In case of Systematic Investment Plans, instead of bulk payment, a small amount is to be paid every month. This will help salaried employees to save their income. Moreover, it is suitable to small investors. As and when they are in need of money, the investors can utilize the same for their necessities. So all these factors shows that Indian Mutual Fund is in the growing stage and all the investors can get the benefit by investing in mutual funds.

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