Retail investors" satisfaction towardsmutual funds in tamil nadu

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ABSTRACT: Among various financial instruments, i.e., shares, bonds and debentures. Mutual Fund is a special type of financial instrument that pools the funds of investors who seek to maximize return on investment. Stocks provide high total returns with commensurate level of risk, while bonds may provide lower risks along with regular income. Small investors face a lot of problems in the share market, limited resources, lack of professional advice, lack of information etc. Mutual funds have come as a much needed help to these investors. It is a special type of institutional device or an investment vehicle through which the investors pool their savings which are to be invested under the guidance of a team of experts in wide variety of portfolios of corporate securities in such a way, so as to minimize risk, while ensuring safety and steady return on investment.

Introduction

Investments in securities are spread across a wide cross-section of industries and sectors. Among various financial instruments, i.e., shares, bonds and debentures. Investment in stocks provides high total returns with commensurate level of risk, while bonds may provide lower risks along with regular income. Small investors face a lot of problems in the share market likes, limited resources, lack of professional advice, lack of information etc. Hence, diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors' in accordance with quantum of money invested by them. Mutual funds have become an important intermediary between households and financial markets, particularly the equity market. By providing liquid, low cost shares in a diversified portfolio of financial assets selected by professional money managers, mutual funds have enabled an increasing number of households to enter financial markets. Mutual funds have come as a much needed help to these investors. It is a special type of institutional device or an investment vehicle through which the investors pool their savings which are to be invested under the guidance of a team of experts in wide variety of portfolios of corporate securities in such a way, so as to minimize risk, while ensuring safety and steady return on investment.

Diversification in mutual funds is coming up with many new faces and as a result Indian mutual fund industry has been growing exceptionally well on the back of country's booming economy but still further mutual funds need to create more lucrative solutions to suit investor's expectations. The active involvement of mutual fund in economic development can be witnessed from dominant presence of mutual funds in worldwide capital and money market. Although mutual funds industry is responding very fast to dynamism in investor's perception towards rewards still they are continuously following this race in their endeavor to differentiate their products responding to sudden changes in the economy.

Statement of the Problem

Indian mutual fund has gained a lot of popularity from the past few years. Earlier only UTI enjoyed the monopoly in this industry because it had established a marketing network of branches, chief representatives, collection centers and franchise offices throughout the country but with the passage of time many new players entered the market, there are 35

mutual funds operating with a wide branch network in our country, due to which the UTI monopoly breaks down and the industry faces a severe competition. As the time passes this industry has become a buzz word in the Indian financial system.

In early years of growth of mutual fund industry, investors were available only with few investment avenues to invest their money. But with the passage of time many new mutual funds emerged and a lot of opportunities are available to the investors for investing their money in different investment channels, the methods and ways of selling these funds also changed with time. But, the growth of mutual funds has not stopped. It is continuing to evolve to a better future, where the investors will get newer opportunities.

The success of a mutual fund depends upon the confidence of the investors. The investor prefers safety of the principal amount, regular returns, long-term growth, income tax benefits, etc. The mutual fund schemes have been designed based on the preferences of the investors, changes in stock/capital market, returns on various instruments and changing profile of the investors. The schemes are framed and conceptualized by the top management of the mutual funds and marketed by their branches and through the agents. The agents and the sales executives of the mutual funds assure higher returns to the investors and paint a rosy picture about the mutual funds while marketing schemes. The mutual funds in our country have been quite wrongly promoted as an alternative to equity investing and created very high expectations in the minds of the investors. The ignorance of the investors about mutual funds coupled with aggressive selling by promising higher returns to the investors have resulted into loss of investors' confidence due to inability to provide higher returns. All mutual funds set a higher target for mobilization of savings from the investor by launching new schemes and expanding investor base. The agents or distributor of mutual funds are more governed by commissions and incentives they get for selling the schemes and not by the requirements of the investors and quality of the products. They share commissions with the investors and don't explain the risk factors to them.

The investors who invest in growth or equity schemes consider it as an alternative to stock market investing and the investors who invest in debt schemes expect higher returns on their investments than returns on nationalized banks' fixed deposits. The investors expect higher returns and get dissatisfied when they don't receive the expected returns. The NAV of the mutual fund scheme gets discounted on debiting the front-ended load of issue expenses after closure, further discounted on listing and continue to decline on trading due to poor demand for such units due to the poor sentiments of the investors. Another one biggest risk of investing in a mutual fund is one of underperformance. When an investor decides to invest in a particular asset class, he typically expects to get the return that the benchmark of the asset provides. Mutual funds try to maximise the returns on the funds invested through them but all of the funds cannot succeed an outperforming each other or the benchmark. Hence, some of them under-perform the benchmark.

The other risk with mutual funds is 'style drift.' If investors invest in a large cap fund and it begins to invest in mid cap stocks, or if investors invest in a long term debt fund but it starts to invest a greater proportion in cash instruments, investors might not the type of risk-return reward that they have been expecting.

The investors believed, so far, that the mutual funds promoted by UTI, LIC, and nationalized banks are guaranteed by the Central Govt. The majority of the new investors don't understand the concept, operations and advantages of investment in mutual funds before investing. All the problems related to the investors are, lack of awareness and poor after sales service to the investors.

Since, the small and household investors constitute a vital segment of the Indian securities market especially mutual funds industry, it is very important to know the mutual fund investors' perception about factors that attract them to invest in mutual funds, rate of return, liquidity, safety and security, tax consideration, capital gain, growth prospects, role of financial advisors and brokers, maturity period, market information, rules and regulations and variety and schemes, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. It is greater understanding of the perception, and behaviour of these investors is very vital in the policy formulation on

development and regulation of securities market to ensure the promotion and protection of interests of small and household investors.

Need for the study

Stock market plays a very vital role in developing economy in India. It is also attracting the many people in recent years. Investors usually perceive that all capital market investment avenues are risky. Based on objectives and risk bearing capacities, investors go for different investment alternatives. Among the various investment possibilities, mutual fund (MF) seems to be viable for all kind of investors as it is considered to be a safer mode of investment. As the mutual fund industry provides an option of diversified investment structure with varying degree of risk, it was supposed to be the most lucrative market for Indian investors.

It was believed that as against the developed countries where almost every second investor is a mutual unit holder, the product could not get much popularity in India. As of now big challenge for the MF 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 MF industry more vibrant and competitive. Since, the need of study has been aroused in order to see the preference, awareness and the investors' perception regarding the mutual funds in Tamilnadu, this study is an eye-opener, not just for marketers of mutual funds but also for policy and decision-makers in the government.

Objectives of the Study

1. To measure the investors' level of satisfaction towards mutual fund investment in Tamilnadu.

Hypothesis

Based on the objective, the followings null hypothesis was framed for this study:

Ho1: There is no significant relationship between demographic characteristics of the respondents and their level of satisfaction about mutual fund investments.

Research Methodology

The research design for the study is descriptive in nature. The present study attempts to evaluate the investor's awareness and satisfaction towards the mutual fund investments. For the purpose, individual mutual funds investors have been selected. The individual investors' awareness and satisfaction has been confined to the only selected districts of Tamil Nadu.

Sampling Design

The sample size covered 500 investors of Tamil Nadu who were spread through five different districts namely Cuddalor, Coimbatore, Chennai, Madurai and Trichy districts of Tamil Nadu. These districts where large numbers of MFs investors are available are identified for this study using Purposive Sampling Method. In order to collect referred information from the retail investors, the sampling design was carefully decided and properly chosen for the study.

From each identified districts, five approved brokers of were chosen and twenty MF investors were contacted with the help of brokers. Thus, this study was based on the responses by 500 selected respondents.

Collection of Data

The researcher was used survey method for data collection. This study gathered the desired data through primary sources. Primary data were collected through a structured questionnaire from the retail investors living in selected districts of Tamil Nadu and invested in MF schemes.

Period of the Study

The researcher collected the required primary data from the selected respondents during period from June 2012 to Dec. 2012.

Tools for Analysis

The collected primary data were analyzed by applying various statistical tools such as descriptive statistics like simple percentages, cross-tabulation, and Chi-square tests have been used. The chi-square test has been adopted to examine the association between the personal and family factors with the level of satisfaction.

Demographic Profile of the Respondents

Table - 1

Demographic Profile of the Respondents

	Personal Variables	No. of Respondents	1. Percentage
Gender	Male	357	71.40
	Female	143	28.60
Age (in years)	Up to 30	58	11.60
	31- 40	145	29.00
	41-50	210	42.00
	Above 50	87	17.40
Education status	School Final	54	10.80
	Graduate	124	24.80
	Post Graduate	197	39.40
	Professional degree	81	16.20
	Diploma and others	44	8.80
Monthly Family Income (in Rs)	Upto 10000	79	15.80
	10001-20000	191	38.20
	20001-30000	169	33.80
	Above 30000	61	12.20
Occupation	Salaried	198	39.60
	Business	127	25.40
	Professionals	56	11.20
	Agriculturalist	34	6.80
	Retired	62	12.40
	Self employed and others	23	4.60
Family pattern	Nuclear family	348	69.60
	Joint family	152	30.40
Residence	Rural	129	25.80
	Semi urban	235	47.00
	Urban	136	27.20
Size of Family Members	1-2	77	15.40
	3-4	158	31.60
	5-6	179	35.80
	7 and above	86	17.20

	One	156	31.20
	Two	198	39.60
Earning Members	Three	79	15.80
	Four and above	67	13.40
	Total	500	100

Source: Primary Data.

Out of 500 respondents, 71.40 per cent are male and 28.60 per cent are female. The predominant age group of the respondents (42 per cent) in respondents groups is 41-50 years. A good majority of the remaining respondents are dispersed in the age group 31-40 years and above 50 years. 4.15 per cent of the respondents are dispersed in the age group of above 55 years. The predominant literacy group (39.40 per cent) of the respondents has post graduate. 24.80 per cent of the respondents have graduate qualifications. 16.20 per cent and 10.80 per cent of the respondents have studied professional degree and school final respectively. Majority of the respondents (38.20 per cent) have a monthly income in the range Rs. 10001-20000, and 33.80 per cent of the respondents have Rs. 20001-30000 as monthly income. 15.80 % and 12.20 per cent of the respondents have monthly income in the range upto Rs.10000 and above Rs.30000 respectively.

Out of 500 respondents, 39.60 per cent are employed, 25.40 per cent are business man, 11.20 per cent of the respondents are professionals, 12.40 per cent are retired persons and 6.80 per cent are agriculturalist. As regards to family pattern 69.60 per cent of the respondents are from nuclear family, 30.40 per cent are from joint family. As regards to area of residence, 25.80 per cent of the respondents are from rural, 47 per cent are from semi urban and 27.20 per cent of the respondents from urban area. 35.80 per cent of the respondents have 5 to 6 family members, about 31.60 per cent have 3 to 4 dependants, 15.40 per cent have 1 to 2 dependants, and 17.20 per cent of the respondents have 7 and above dependants. 39.60 per cent of the respondents have 2 earning members in their family, about 31.20 per cent of the respondents have only one earning member and 15.80 have 3 earning members, 13.40 per cent have 4 and more earning members in their family.

Respondents" Satisfaction towards Mutual Fund Investments

The following table shows the overall satisfaction of the investors towards mutual fund investment.

Table 2

Level of Investors" Satisfaction

Level of Satisfaction	No. of Respondents	Percentage
Highly satisfied	20	4.00
Satisfied	223	44.6
Neither satisfied nor dissatisfied	160	32.0
Dissatisfied	55	11.0
Highly dissatisfied	42	8.4
Total	500	100

Source: Primary Data

From the above table, it is inferred that out of 500 respondents, 4 per cent are highly satisfied, 44.6 per cent are satisfied and 32 per cent are neither satisfied nor dissatisfied towards investment in mutual funds. 11 per cent and 8.4 per cent of the respondents are dissatisfied and highly dissatisfied respectively towards mutual funds investments.

Association between Demographic Profile and Level of Satisfaction of the Respondents

The association between the profile of the respondents and their satisfaction on mutual funds and its features has been examined with the help of chi-square test. In order to measure the relationship between socio-economic characteristics and level of satisfaction of the respondents, the researcher has framed the following null hypothesis: ―There is no significant association between the personal variables of respondents (such as age, gender, marital status, educational qualification, occupation, size of family, monthly income) and their level of satisfaction on mutual fund investments. The results are presented in the following table

Table 3

Investors‟ level of Satisfaction

Demographic Profile		Level of Satisfaction					Total	Mean	Chi-Square
		Highly Satisfied	Satisfied	Neither Satisfied not Dissatisfied	Dissatisfied	Highly Dissatisfied			
Gender	Male	9	157	115	40	36	357	3.18	2.148 NS
	Female	11	66	48	12	6	143	3.45	
Age	Up to 30	3	28	20	5	2	58	3.43	16.231 NS
	31- 40	5	63	41	17	19	145	3.12	
	41-50	7	98	72	21	12	210	3.32	
	Above 50	5	34	27	12	9	87	3.16	
Educational status	School Final	3	22	15	8	6	54	3.15	12.592 NS
	Graduate	4	56	41	11	12	124	3.23	
	Post Graduate	8	85	66	18	20	197	3.22	
	Professional degree	2	44	26	7	2	81	3.46	
	Diploma and others	3	16	12	11	2	44	3.16	
Monthly Family Income	Up to 10000	2	36	26	9	6	79	3.24	15.735 NS
	10001-20000	5	78	65	24	19	191	3.14	
	20001-30000	6	82	50	21	10	169	3.31	
	Above 30000	7	27	19	1	7	61	3.43	
Occupation	Salaried	5	102	68	12	11	198	3.39	39.456 NS
	Business	8	60	37	13	9	127	3.35	
	Professionals	2	20	21	10	3	56	3.14	
	Agriculturalist	1	11	17	3	2	34	3.18	
	Retired	1	23	10	15	13	62	2.74	
	Self employed and others	3	7	7	2	4	23	3.13	
Family pattern	Nuclear family	13	172	112	31	20	348	3.36	3.751 NS
	Joint family	7	51	48	24	22	152	2.98	
Residence	Rural	6	69	32	13	9	129	3.39	12.693

	Semi urban	9	112	69	23	22	235	3.27	NS	
	Urban	5	42	59	19	11	136	3.08		
Size of Family Members	1-2	3	29	14	18	13	77	2.88	18.529 NS	
	3-4	7	79	51	12	9	158	3.39		
	5-6	8	81	62	16	12	179	3.32		
	7 and above	2	34	33	9	8	86	3.15		
Overall Satisfaction		20 (4.0)	223 (44.6)	160 (32.0)	55 (11.0)	42 (8.4)	500 (100)	3.25		

Source: Computed from primary data   NS: Not Significant

The calculated chi square value for all the demographic Profile is less than the table value at 5 per cent level of significance. This means that there is no significant association between the satisfaction levels towards investment in mutual funds and the selected demographic profiles of respondents. Therefore, the null hypothesis (Ho1) is accepted. Further, the mean satisfaction score of the female respondents (3.45) is high, followed by the male respondents (3.18). Therefore, it is inferred that female respondents are more satisfied than male respondents towards investment in mutual funds.

In addition, the mean satisfaction score of the respondents of the age group upto 30 years (3.43) is high, followed by the age group 41-50 years (3.32). Therefore, the respondents in the age group up to 30 years are more satisfied. However, the respondents in the age group 31-40 years have low level of satisfaction towards investment in mutual funds. The respondents belonging to Professional degree qualification are more satisfied (3.46) with investment in mutual funds, followed by respondents with Graduate qualification (3.23). However, respondents with School Final qualification have low level of satisfaction towards investment in mutual funds.

The average satisfaction score of the respondents belonging to monthly income above Rs.30000 (3.43) is high, followed by the respondents belonging to Rs 20001 to 30000. It indicates that the respondents drawing monthly income upto Rs.10000 are more satisfied towards investment in mutual funds. It is inferred that the average satisfaction score of the employees (3.39) is high, followed by business man (3.35). Therefore, the employees are more satisfied with the investment in mutual funds. The average satisfaction score of the respondents belonging to Nuclear family (3.36) is high, followed by the respondents belonging to Joint family. Thus, the respondents from Nuclear family are more satisfied with investment in mutual funds.

The average satisfaction score of the rural respondents (3.39) is high, followed by the Semi urban respondents. It indicates that the rural respondents are more satisfied towards investment in mutual funds. It is inferred that the average satisfaction score of the respondents have 3-4 family members (3.39) is high, followed by respondents have 5-6 family members (3.32).

Summary

In this study, an attempt has been made to study the perception of retail investors towards mutual fund investments. For this reason 500 investors were selected. The selected personal characteristics and level of satisfaction are studied. It is inferred from the study that out of 500 respondents, 4 per cent are highly satisfied, 44.6 per cent are satisfied and 32 per cent are neither satisfied nor dissatisfied towards investment in mutual funds. 11 per cent and 8.4 per cent of the respondents are dissatisfied and highly dissatisfied respectively towards mutual funds investments. No significant association is found in the satisfaction level of the respondents belonging to different gender, age groups, educational status, monthly income, area of residence, and number of family members.

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