

Mutual Fund as an Indicator of Growth: Customers' Opinion

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Abstract

Mutual fund is a kind of investment that uses money from many investors to invest in stocks, bonds or other types of investment and the fund manager decides how to invest the money. The objective of present study is to analyze the customers' opinion regarding mutual fund as an indicator of growth with tentative hypothesis that there is no significant difference in customers' satisfaction and demographic factor such as age, qualification, occupation, income and gender. By adopting random sampling a sample 160 respondents have been taken from the Sirsa district. The data was analyzed by using various statistical techniques and tools, such as mean, percentage, frequency and Chi-square has been used. Further it is concluded that the response of majority of respondents on different demographic factors such as age, qualification, occupation, income and gender wise are dissatisfied regarding mutual fund as an indicator of growth because of low return on the investment of mutual fund after long span of time.

1. Introduction

A mutual fund is a kind of investment that uses money from many investors to invest in stocks, bonds or other types of investment. A fund manager (or "portfolio manager") decides how to invest the money, and for this he is paid a fee, which comes from the money in the fund. There are thousands of different kinds of mutual funds, specializing in investing in different countries, different types of businesses, and different investment styles. There are even some funds that only invest in other funds. 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 then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. 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 basket of securities at a relatively low cost. SEBI is the regulatory body to control and regulate the securities market and Mutual Fund industry in India. So it is an

important entity of Mutual Fund Business. Mutual Funds normally come out with an advertisement in newspapers publishing the date of launch of the new schemes. Investors can also contact the agents and distributors of Mutual Funds who are spread all over the country for necessary information and application forms. Forms can be deposited with Mutual Funds through the agents and distributors who provide such services. Now days, the post offices and banks also distribute the units of Mutual Funds.

2. Mutual funds vs. other investments

Mutual funds offer several advantages over investing in individual stocks. For example, the transaction costs are divided among all the mutual fund shareholders, which allows for cost-effective diversification. Investors may also benefit by having a third party (professional fund managers) apply expertise and dedicate time to manage and research investment options, although there is dispute over whether professional fund managers can, on average, outperform simple index funds that mimic public indexes. Yet, the Wall Street Journal reported that separately managed accounts (SMA or SMAs) performed better than mutual funds in 22 of 25 categories from 2006 to 2008. This included beating mutual funds performance in 2008, a tough year in

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which the global stock market lost US\$21 trillion in value. In the story, Morningstar, Inc said SMAs outperformed mutual funds in 25 of 36 stock and bond market categories. Whether actively managed or passively indexed, mutual funds are not immune to risks. They share the same risks associated with the investments made. If the fund invests primarily in stocks, it is usually subject to the same ups and downs and risks as the stock market.

3. Review Of Literature

Sehgal Sanjay and Jhanwar Manoj (2007) examined that, if there is any short-term persistence in mutual funds performance in the Indian context. We find no evidence that confirms persistence using monthly data. Using daily data, we observe that for fund schemes sorted on prior period four-factor abnormal returns, the winners' portfolio does provide gross abnormal returns of 10 percent per annum on post-formation basis. **B.S.Sumalatha (2007)** analyzed the structure of the mutual fund industry in India, to examine the state of competition among the mutual funds, sector wise competition and within sector competition. The study analyzed competition among the mutual funds which includes private sector, public sector and foreign sector mutual funds. The methodology proposed by William J Baumol and Grossack were used to analyze the state of competition in the mutual fund industry. **Mishra Mukund and Vaibhav (2010)** founded that the Mutual fund is an important segment of the financial system. It is non-fund based special type of institution which acts as an investment conduit. It is a mechanism of pooling together the savings of large number of investor for collective investments with an avowed objective of attractive yields and appreciation in their value The SEBI (Mutual Fund) Regulations 1996 defines a mutual fund as "a fund Establishment 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 the investing in securities, including money market instrument." **Kumar Vikas (2011)** explained Mutual funds provide opportunities for small investors to participate in the capital market without assuming a very high degree of risk. An important principle of investment in capital market is that do not put all the eggs in one basket i.e. Diversification. A small investor is not able to have a diversified portfolio mainly due to paucity of resources. However, a mutual fund pools together the savings of such small investors and invests the same in the capital market and passes the benefits to the investors. Thus, investors can indirectly participate in the capital market by subscribing to the units of mutual funds. Mutual funds employ professional fund managers to

manage the investment activities. Therefore, investors also get benefits of professional expertise of these managers. **Vyas Ravi (2012)** explained the attention on number of factors that highlights investors' perception about mutual funds. It was found that mutual funds were not that much known to investors, still investor rely upon bank and post office deposits, most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from the fund which were not giving desired results. Equity option and SIP mode of investment were on top priority in investors' list. It was also found that maximum number of investors did not analyze risk in their investment and they were depending upon their broker and agent for this work.

4. Objective And Research Methodology

The objective of present study is to analyze the customers' opinion regarding mutual fund as an indicator of growth with hypothesis that there is no significant difference in customers' perception regarding mutual fund as an indicator of growth. The study is conducted by adopting random sampling with sample size of 160 respondents have been taken from the Sirsa district by using well-structured questionnaire prepared with the help of expert and collected data was analyzed by using various statistical techniques and tools, such as mean, percentage, frequency and Chi-square.

5. Data Analysis

Table 1 shows that 45.6 percent respondents are belongs to the age group less than 30 years, 35.6 percent are belongs to age group 31-40 years, 10.0 percent are belongs to the age group 41-50 years and remaining i. e. 8.8 percent respondents are belongs to the above age group 50 years are invested in mutual funds .

Table: 1. Age groups of the respondents (in years)

| S. No. | Age groups | Frequency | Percentage |
|--------|--------------|-----------|------------|
| 1 | Less than 30 | 73 | 45.6 |
| 2 | 31-40 | 57 | 35.6 |
| 3 | 41-50 | 16 | 10.0 |
| 4 | Above 50 | 14 | 08.8 |
| 5 | Total | 160 | 100.0 |

Source: Primary Data

Table 2 indicates the educational qualification of the respondents, majority of the respondents (45.0 percent) are graduate, 11.3 percent under graduate, 39.4 percent are post graduate and very few respondents (4.4 percent) are professional i.e. Chartered Accountants, Company Secretaries , Advocates, Doctors etc.

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Table: 2. Qualifications of the respondents

| S. No. | Qualification | Frequency | Percentage |
|--------|----------------|-----------|------------|
| 1 | Under Graduate | 18 | 11.3 |
| 2 | Graduate | 72 | 45.0 |
| 3 | Post Graduate | 63 | 39.4 |
| 4 | Professional | 07 | 04.4 |
| 5 | Total | 160 | 100.0 |

Source: Primary Data

Table 3 depicts the occupations of the respondents. Majority of the respondents (38.1 percent) are in service, 33.1 percent are in business, 13.8 percent are professional and 15.0 percent respondents are from others category i.e. farmers and household.

Table: 3. Occupations of the respondents

| S. No. | Occupation of respondents | Frequency | Percentage |
|--------|---------------------------|-----------|------------|
| 1 | Service | 61 | 38.1 |
| 2 | Business | 53 | 33.1 |
| 3 | Professional | 22 | 13.8 |
| 4 | Others | 24 | 15.0 |
| 5 | Total | 160 | 100.0 |

Source: Primary Data

Table 4 shows the income groups of the respondents. The respondents belongs to the income groups less than 3 lakh (36.7 percent), 4-7 lakh (37.5 percent), 7-10 lakh (17.0 percent) and very few above 10 lakh income group(8.8 percent) respondents are invested in mutual funds.

Table: 4. Income groups of the respondents (in lakh)

| S. No. | Income Groups | Frequency | Percentage |
|--------|---------------|-----------|------------|
| 1 | Less than 3 | 58 | 36.7 |
| 2 | 4-7 | 60 | 37.5 |
| 3 | 7-10 | 22 | 17.0 |
| 4 | Above 10 | 14 | 08.8 |
| 5 | Total | 160 | 100.0 |

Source: Primary Data

Table 5 shows that the sample of 160 respondents. Majority of the male respondents (71.8 percent) invested in a mutual fund which is more or less in line with over all proportion of people (73.33 percent). Due to lack of knowledge & awareness women participants in investing is less compared to that of male. In this study very few (21.9 percent) women were found who are aware of mutual funds. Here in the survey, percentage gap between male and female is too much more.

Table: 5. Genders of the respondents

| S. No. | Gender | Frequency | Percentage |
|--------|--------|-----------|------------|
| 1 | Male | 125 | 78.1 |
| 2 | Female | 35 | 21.9 |
| | Total | 160 | 100.0 |

Source: Primary Data

Table 6 depicts that majority of the respondents in the different age groups (45.2 percent in case of less than 30 years ,50.9 percent in case of 31-40 , 50.0 percent in case of 41-50 and 42.9 percent in case of above 50 years) have dissatisfied with growth in investment. In age groups less than 30 , 31-40 , 41-50 and above 50 (27.4 percent , 12.3 percent , 31.3 percent, 42.9 percent) respondents are highly dissatisfied with growth on investment.(4.1 percent , 1.8 percent) respondents are satisfied with growth on investment lying in the age groups less than 30 and 31-40. (9.6 percent 12.3 percent and 7.1 percent) respondents are belongs to the age groups less than 30 , 31-40 and above 50 which are satisfied with growth on investment . (13.7 percent in case of less than 30 years, 22.8 percent in case of 31-40, 18.8 percent in case of 41-50 and 7.1 percent in case of above 50 years) have neutral opinion regarding the growth on investment. The application of chi-square test indicates that there is significant difference in the age groups of respondents regarding the growth on investment as the calculated value (12.57) of χ^2 is less than the table value (26.22) at 1 percent of significant level with 12 degree of freedom.

Table: 6. Age-wise satisfaction regarding growth on investment

| Age Groups | Highly Satisfied | Satisfied | Neutral | Dissatisfied | Highly Dissatisfied | Total |
|--------------|------------------|-----------|-----------|--------------|---------------------|-------------|
| Less Than 30 | 3 (4.1) | 7 (9.6) | 10 (13.7) | 33 (45.2) | 20 (27.4) | 73 (100.0) |
| 31-40 | 1 (1.8) | 7 (12.3) | 13 (22.8) | 29 (50.9) | 7 (12.3) | 57 (100.0) |
| 41-50 | -- | -- | 3 (18.8) | 8 (50.0) | 5 (31.3) | 16 (100.0) |
| Above 50 | -- | 1 (7.1) | 1 (7.1) | 6 (42.9) | 6 (42.9) | 14 (100.0) |
| Total | 4 (2.5) | 15 (9.4) | 27 (16.9) | 76 (47.5) | 38 (23.8) | 160 (100.0) |

Chi-square = 12.57

Table value= 26.22df = 12

P-value =.401

Significant level = 1

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Percent Source: Primary Data

Note: Figures in parentheses indicates the percentages

Table 7 depicts that majority of the respondents at the different qualification level (50.0 percent in case of under graduate ,47.2 percent in case of graduate , 47.6 percent in case of post graduate and 42.9 percent in case of others) have dissatisfied with growth on investment. Undergraduate, graduate, post graduate and others(4.2percent,1.6 percent) respondents are highly satisfied with growth on investment.(5.6percent,9.7 percent, 7.9 percent & 28.6 percent) respondents are satisfied with growth on investment having qualification of under graduate, graduate, post graduate & others respectively. (16.7 percent in case of under graduate, 22.2 percent in case of graduate, 12.7 percent in case of post graduate and 0.0 percent in case of others) have neutral opinion regarding the growth on investment. (27.8 percent, 16.7 percent, 1.6 percent, 30.2 percent, 28.6 percent) respondents are highly dissatisfied with growth on investment. The application of chi-square test indicates that there is significant difference in the different qualification level of respondents regarding the growth on investment as the calculated value (10.72) of chi – square is less than the table value (26.22) at 1 percent of significant level with 12 degree of freedom.

Table: 7. Qualification-wise satisfaction regarding growth on investment

| Qualification | Highly Satisfied | Satisfied | Neutral | Dissatisfied | Highly Dissatisfied | Total |
|----------------|------------------|-----------|-----------|--------------|---------------------|-------------|
| Under Graduate | -- | 1 (5.6) | 3 (16.7) | 9 (50.0) | 5 (27.8) | 18 (100.0) |
| Graduate | 3 (4.2) | 7 (9.7) | 16 (22.2) | 34 (47.2) | 12 (16.7) | 72 (100.0) |
| Post Graduate | 1 (1.6) | 5 (7.9) | 8 (12.7) | 30 (47.6) | 19 (30.2) | 63 (100.0) |
| Others | -- | 2 (2.8) | - | 3 (42.9) | 2 (28.6) | 7 (100.0) |
| Total | 4 (2.5) | 15 (9.4) | 27 (16.9) | 76 (47.5) | 38 (23.8) | 160 (100.0) |

Chi-square = 10.72

Table value= 26.22df = 12

P-value =.552

Significant level = 1

Percent Source: Primary Data

Note: Figures in parentheses indicates the percentages

Table 8 indicates that (4.9 percent, 1.9 percent) respondents who are service man, business man are highly satisfied respectively with the opinion of growth on investment. (13.1 percent, 5.7 percent, 13.6 percent, and 4.2percent) Respondents who are belongs with the occupation like service man, business man, professionals & others are satisfied with the opinion of growth on investment . Only (14.8 percent, 24.5 percent, 13.6 percent, and 8.3 percent) respondents have neutral regarding in investment belongs with the occupations like service man, business man, professionals &others. In case of service man 50.8 percent, in case of business man 50.9 percent in case of professional 36.4 percent or in case of others 41.7 percent respondents are dissatisfied with the opinion of growth on investment In case of service man 16.4 percent, in case of business man 17.0 percent in case of professional 36.4 percent or in case of others 45.8 percent respondents are highly dissatisfied with the opinion of growth on investment. The result of chi–square test reveals that the calculated value (18.47) of chi – square is less than the table value (26.22) at 1 percent level of significance. It concludes that there is significant difference among the different occupation of the respondents regarding growth on investment.

Table: 8. Occupation-wise satisfaction regarding growth on investment

| Occupation | Highly Satisfied | Satisfied | Neutral | Dissatisfied | Highly Dissatisfied | Total |
|--------------|------------------|-----------|-----------|--------------|---------------------|-------------|
| Service | 3 (4.9) | 8 (13.1) | 9 (14.8) | 31 (50.8) | 10 (16.4) | 61 (100.0) |
| Business | 1 (1.9) | 3 (5.7) | 13 (24.5) | 27 (50.9) | 9 (17.0) | 53 (100.0) |
| Professional | -- | 3 (13.6) | 3 (13.6) | 8 (36.4) | 8 (36.4) | 22 (100.0) |
| Others | -- | 1 (4.2) | 2 (8.3) | 10 (41.7) | 11 (45.8) | 24 (100.0) |
| Total | 4 (2.5) | 15 (9.4) | 27 (16.9) | 76 (47.5) | 38 (23.8) | 160 (100.0) |

Chi-square = 18.47

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Table value= 26.22df = 12

P-value =.102

Significant level = 1

Percent Source: Primary Data

Note: Figures in parentheses indicates the percentages

Table 9 depicts that majority of the respondents who belongs to different income groups (41.4 percent in case of less than 3 lac, 53.3 percent in case of 4-7 lac, 48.1 percent in case of 7-10 lac and 42.9 percent in case of above 10 lac) are dissatisfied with growth on investment. In income groups less than 3 lac, 4-7 lac, 7-10 lac and above 10 lac (25.9 percent, 16.7 percent, 29.6 percent, 35.7 percent) respondents are highly dissatisfied with growth on investment. (15.5 percent, 8.3 percent and 3.7 percent) respondents are satisfied with growth on investment lying in the income groups less than 3 lac, 4-7 lac and 7-10 lac. (5.2 percent and 1.7 percent) respondents are belongs to the age groups less than 3 lac and 4-7 lac which are highly satisfied with growth on investment . (12.1 percent in case of less than 3 lac, 20.0 percent in case of 4-7 lac, 18.5 percent in case of 7-10 lac and 21.4 percent in case of above 10 lac) have neutral opinion regarding the growth on investment. The application of chi-square test indicates that there is significant difference in the income groups of respondents regarding the growth in investment as the calculated value (13.51) of chi – square is less than the table value (32.00) at 1 percent of significant level with 12 degree of freedom.

Table: 9. Income-wise satisfaction regarding growth on investment (in Lakh)

| Inc ome Gro up | Hig hly Satis fied | Satis fied | Neu tral | Dissat isfied | Higl y Dissat isfied | Tot al |
|-------------------------|-----------------------------|-----------------|------------------|------------------|-------------------------------|-------------------|
| Les s Tha n 3 | 3 (5.2) | 9 (15.5) | 7 (12. 1) | 24 (41.4) | 15 (25.9) | 58 (10 0.0) |
| 4-7 | 1 (1.7) | 5 (8.3) | 12 (20. 0) | 32 (53.3) | 10 (16.7) | 60 (10 0.0) |
| 7- 10 | -- | 1 (3.7) | 5 (18. 5) | 14 (48.1) | 8 (29.6) | 28 (10 0.0) |
| Abo ve | -- | -- | 3 (21.) | 6 (42.9) | 5 (35.7) | 14 (10 |

Significant level = 1

Percent Source: Primary Data

Note: Figures in parentheses indicates the percentages

| | | | | | | |
|-----------|------------|-------------|------------------|--------------|--------------|--------------------|
| 10 | | | 4) | | | 0.0) |
| Tot al | 4 (2.5) | 15 (9.4) | 27 (16. 9) | 76 (47.5) | 38 (23.8) | 160 (10 0.0) |

Chi-square = 13.51

Table value= 32.00

df = 16 p-value =.635

Significant level = 1

Percent Source: Primary Data

Note: Figures in parentheses indicates the percentages

Table 10 indicates the opinion of male and female respondents regarding growth on investment. 3.2 percent male respondents are highly satisfied, 10.4 percent male respondents are satisfied, 20.0 percent male respondents are neutral 49.6 percent male respondents are dissatisfied and 16.8 percent male respondents are highly dissatisfied with the opinion that growth on investment. 5.7 percent female respondents are satisfied , 5.7 percent female respondents are neutral 40.0 percent female respondents are dissatisfied and 48.6 percent female respondents are highly dissatisfied with the opinion that growth on investment. The result of chi–square test reveals that the calculated value (17.21) of chi–square is greater than the table value (13.23) at 1 percent level of significance. It concludes that there is no significant difference in male and female respondents about the growth on investment

Table: 10. Gender-wise satisfaction regarding growth on investment

| Gen der | Hig hly Satis fied | Satis fied | Neu tral | Dissat isfied | Higl y Dissat isfied | Tot al |
|------------|-----------------------------|------------------|------------------|------------------|-------------------------------|--------------------|
| Mal e | 4 (3.2) | 13 (10.4) | 25 (20. 0) | 62 (49.6) | 21 (16.8) | 125 (10 0.0) |
| Fem ale | -- | 2 (5.7) | 2 (5.7) | 14 (40.0) | 17 (48.6) | 35 (10 0.0) |
| Tota l | 4 (2.5) | 15 (9.4) | 27 (16. 9) | 76 (47.5) | 38 (23.8) | 160 (10 0.0) |

Chi-square = 17.21

Table value= 13.23

df = 4

P-value =.002

6. Conclusion

It is concluded that the response of majority of respondents on different demographic factors such as age, qualification, occupation, income and gender

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wise are dissatisfied regarding mutual fund as an indicator of growth because of low return in the

investment of mutual fund after long span of time.

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