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**Investor Avenues And Awareness: A Comparative Study Of Mutual Funds
And Equity**

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Abstract:

Investors have many investment opportunities but they should be intelligent enough to select the scheme in which they are going to invest. Investing in various types of assets is an interesting activity that attracts people from all walks of the life irrespective of their occupation, economic status, education and family background. Savings form an important part of the economy of any nation. With savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents multiple avenues to the investors. The study depends majorly on the primary data and the questionnaire had been served to 90 respondents to collect information with respect to investment avenues and awareness. Simple statistical tool like percentage and averages are used to analyze and interpret the data.

Keywords: Mutual Funds, Equities, Return, Risk, .

INTRODUCTION

Investment goals vary from person to person. While somebody wants security, others might give more weightage to returns alone. Somebody else might want to plan for his child's education while somebody might be saving for the life after retirement. These factors include risk, return, safety, volatility of shares and liquidity. The main objective of comparing investment in equity shares with mutual fund schemes is to analyze the comparison of mutual funds with equities by considering risk, return, safety, volatility of shares and liquidity.

STATEMENT OF THE PROBLEM

In the current economic scenario interest rates are fluctuating in the share market as put investor is in confusion. One find difficult to take decision on investment. This is primary because the investment is risky and investor has to consider various factors before investing in various securities. Therefore the study aims to compare equity and mutual fund schemes with respect to risk, return & liquidity and also create awareness about equity and mutual fund schemes among investors. Hence the title "Investor avenues and awareness: A comparative study of mutual funds and equity"

NEED OF STUDY

The need of the study arise due to fluctuation in the short term market, it has put investor in confusion to take decision on investment. This is primary because investments are risky in nature and investors have to consider various factors before investing in the investing avenue. The investor need to be suggested where the investments are to be made and maximum revenue can be gained. Therefore researcher felt to undertake study on this topic.

OBJECTIVES OF THE STUDY

The following are the objectives

1. To study Investors perception towards Mutual Fund and Equity.
2. To provide feasible solutions on the basis of the findings of the study.

RESEARCH METHODOLOGY

The primary and secondary data has been collected by using simple random sampling technique. The collected data has been analysed and interpreted by pie charts, bar diagrams and graphical representation. The questionnaire and interview schedule, personal interview will be relied upon for gathering primary data. An aggregate of 90 respondents from various Depository Participants responded to the questionnaire in Belgaum city.

SIGNIFICANCE OF THE STUDY

According to the global asset management 2006 report from consulting group, India managed assets will exceed more than \$1 trillion by 2015 this means annual growth rate of 21% for the next nine year. The Indian mutual fund industries has been growing at healthy pace of 16.68% for past eight years and the trend will move further as has been emphasized by the report. With the entrance of new fund houses and the introduction of new funds into the market, investors are now being presented with a board array of mutual fund choices. The total asset under management of mutual fund industry rose by 9.45% from Rs.309953.04 crores to Rs.339232.46 crores in November 2006 as published by Association of mutual funds in India 1987 and its size was Rs.72, 000 crores in 1998. Since then this figure has been increasing tremendously and thus efficiency of growth in the Mutual fund industry.

SCOPE OF THE STUDY

A big boom has been witnessed in mutual fund industry in recent times. A large number of players have entered the market and trying to gain market share in the rapidly improving market. The present study is an attempt to know the investors perception regarding equities (stocks) and mutual funds with the available avenues to the investor. Research has been carried with the help of primary and secondary data. The study is restricted to Belgaum city area and analysis was done based on the responses given by respondents/investors.

REVIEW OF LITERATURE

Jensen (1968) developed own measure known as Jensen's alpha to examine the risk portfolio risk adjusted performance and estimate the predictive ability of mutual fund manager. The measure was based on the theory of the pricing of capital assets. For this purpose sample of

115 open and mutual fund (for which net assets and dividend information available) was taken for the period 1955-1964. After applying the Jensen measure he concluded that stock price could not be used to take any advantage. Similarly there is slight evidence that an individual mutual fund can achieve returns than a portfolio comprised of randomly selected shares.

McDonald (1973) developed a model to evaluate the investment performance of the fund holding securities in two countries. For this purpose a sample of eight of the oldest French mutual fund were taken. The monthly return of the fund were calculated and analyzed for the period 1964-1969. The result showed that the funds generally produced superior fund risk adjusted return and that the French market was inefficient with respect to the completeness and speed of dissemination of information. McDonald (1973) also found that the funds were generally able to attain superior returns relative to naïve portfolio strategy.

Grinblatt and Sheridan (1992) conducted a research to analyze whether mutual fund performance relates to past performance. For this purpose a sample of 279 funds was taken study divided the sample into five year sub periods and calculated the abnormal returns of each fund for each five year sub period. Therefore study concluded that the past performance of fund provides useful information for investors who were considering an investment in mutual funds.

Martin et.al. (1993) to examine the performance of bond mutual fund sample of bond fund first sample was designed to eliminate survivorship bias and was comprise of 46 non municipal bond fund for the 10 year period from beginning of 1979 to the end of 1988. The second sample consisted of all bond funds that existed at the end of 1991. The result showed that bond funds underperform relevant indexes post expenses.

Malkiel (1995) conducted a research to analyze the performance of equity mutual funds for the period 1971 to 1991. For this purpose study involved a data set that included the return from all mutual funds in existence in each year of the period. Study also examined the fund return in the capital of the assets pricing models.

Miler and Nicholas(1980) conducted a research examine the risk return relationship in the presence of nonstationarity in order to obtain more precise estimate of alpha and beta. For this purpose this study applied partition regression and a partition selection rule for estimating the traditional capm in case of nonstationarity. On other hand results solved some weak positive relationships and some weak positive relationship between betas and alpha. However, no general, statistical significant relationships of either type were.

Carlson (1971) conducted a research to analyze the predictive value of past result in forecasting future performance of mutual fund. For period 1948-1967 the author also examined the efficiency of the market and identified the factors related to the fund performance. In order to analyze the performance regression was used. The result provide empirical support to the return risk postulate of the capital assets pricing model and concluded that whether mutual fund outperform the market depend on the selection of both the time period and market proxy and market the author also concluded past performance showed.

Arditi (1971) criticized the reward to variability criterion proposed by Sharpe (1966) on the ground that it utilized only the first two movements of the probability distribution of return. Author proposed that third movement, a measure of direct and size of the distribution tail, be included in the analysis. Arditi (1970) further argued that investor preferred positive skewness because positive skewness implied greater probability of high return. The skewness of the Dow Jones industrial average return distribution was significantly less than fund skewness.

ANALYSIS OF INVESTORS PERCEPTION

The information collected is analyzed and interpreted in the following manner. Analysis of this study is made on the bases of investor’s responses collected through questionnaire

1. AGE GROUP OF THE RESPONDENTS

Table No. 1

Age Group	Frequency	Percent	Cumulative Percent
18-30 yrs	45	50.0	50.0
31-45 yrs	24	27.0	77.0
46-60 yrs	15	17.0	94.0
61 yrs & above	6	6.0	100.0
Total	90	100.0	

Source: Field survey

Above table 1 shows that, out of 90 samples 50% of the respondents are aged between 18- 30 years 27% of them are aged between 31-45 years, 17% of them are aged between 46-60 years and remaining 6% are aged between 61 years & above. From this we came to know that the persons who are ranging age between 18-30 years are more interested to invest in stock market. The persons who aged above 61 years are less interested in investing.

2. OCCUPATION OF RESPONDENTS

Table No. 2

Occupation	Frequency	Percent	Cumulative Percent
Employee	24	27.0	27.0
Business	42	47.0	74.0
Student	12	13.0	87.0
Retired	3	3.0	90.0
Other	9	10.0	100.0
Total	90	100.0	

Source: Field survey

By analyzing the above table 2, it is clear that 47% of the investors are business people who invest their money in stock markets, it is followed by 27% of them are employees, 13% of them are students, 3% of them are retired people and remaining 10% of the investor's are from other occupations.

3. ANNUAL INCOME OF THE RESPONDENTS

Table No. 3

Annual income (Rs)	Frequency	Percent	Cumulative Percent
Below 1 lakh	21	24.0	24.0
1-3 lakhs	51	57.0	81.0
3-5 lakhs	12	13.0	94.0
Above 5 lakhs	6	6.0	100.0
Total	90	100.0	

Source: Field survey

By analyzing the above table, it clearly states that 24% of the investors are having below 1 lakh annual income, and 57% of the investors are having 1-3 lakhs annual income and 13% of the investors are having 3-5 lakhs annual income and only 6% of the employees are having above 5 lakhs annual incomes. From this it is clear that, the middle-income level people i.e., 1-3 lakhs annual income people are major investors.

4. INVESTMENT AVENUE OF RESPONDENTS

Table No. 4

Investment	Frequency	Percent	Cumulative Percent
Bank Deposit	24	27.0	27.0
Post office savings	6	6.0	33.0
Insurance	12	13.0	46.0
Gold	3	3.0	49.0
Mutual fund	15	17.0	66.0
Equities	30	34.0	100
Total	90	100	

Source: Field survey

It is inferred from the above table 4 that, of the 90 respondents 24 investors have invested their funds in banks, 6 of them have invested in post office savings, 12 respondents are

invested in insurance, 3 respondents are invested in gold, 15 respondents have invested in mutual funds and 30 respondents are invested in equities. It clearly indicates that majority of the investors are not ready to take risk so they have invested in equities and bank deposits.

5. INVESTMENT OBJECTIVES OF THE RESPONDENTS

Table No. 5

Objective	Frequency	Percent	Cumulative Percent
Future Security	24	27.0	27.0
Risk involved	6	6.0	33.0
Regular returns	36	41.0	74.0
Tax benefit	15	16.0	90.0
Asset buildup	9	10.0	100.0
Total	90	100.0	

Source: Field survey

From the above table it is understood that, of the 90 respondents 41% of the investors have invested their money for regular returns followed by 27% of the investors for future security. Very least number of investors i.e. 6% of the investors was invested with the objective chasing risk. The remaining investors fall in between

6. RESPONDENTS INVESTMENTS IN STOCK MARKET

Table No. 6

Type Investments	Frequency	Percent	Cumulative Percent
Equity Market	42	46.0	46.0
Mutual funds	18	21.0	67.0
Both	30	33.0	100.0
Total	90	100.0	

Source: Field survey

By analyzing the above table, it is understood that of the 90 respondents those who have invested in securities, maximum i.e. 46% of them invest in equity market and 21% of them are invested in only mutual funds and 33% of them invest both in equities and mutual funds. It shows that most of the people prefer to invest in equities rather than mutual funds. So there is a need to create awareness among general public about investment avenues.

7. SOURCES TO KNOW ABOUT MUTUAL FUND AND EQUITY MARKET

Table No. 7

Source of Information	Frequency	Percent	Cumulative Percent
Periodicals	9	10.0	10.0
Self analysis	42	47.0	57.0
Brokers advice	15	16.0	66.0
Friends & Relatives	24	27.0	100.0
Total	90	100.0	

Source: Field survey

It is inferred from the above table 7 that, Only 10% of the respondents come to know about investment avenues by periodicals, 16% of them have the source of brokers advice, 27% of them know by friends and relatives and majority i.e. 47% of them know by themselves with investment thrust.

8. REASON TO INVEST IN MUTUAL FUNDS

Table No. 8

Reasons for Investment	Frequency	Percent	Cumulative Percent
Better return	54	60.0	60.0
Tax benefits	15	17.0	77.0
Affordability	6	6.0	83.0
Fund diversification	15	17.0	100
Total	90	100.0	

Source: Field survey

The above table shows that, majority i.e. 60% of the respondents invest in mutual funds because it gives better returns, 17% for Tax benefits, 6% for affordability, 17% for fund diversification. This shows that better return and safety are most critical factors while investing in any mutual funds.

9. REASON TO INVEST IN EQUITIES (STOCKS)

Table No. 9

Particulars	Frequency	Percent	Cumulative Percent
Dividend	18	20.0	20.0
Capital appreciation	27	30.0	50.0
Liquidity	9	10.0	60.0
Voting Right	3	3.0	63.0
Speculation	33	37.0	100.0
Total	90	100.0	

Source: Field survey

From the table 9 it is inferred that, of the total respondents 33 respondents invest in equities (stocks) because of speculation and 27 respondents invest in equities for capital appreciation, followed by 9 for liquidity, and 18 for dividend and hardly 3 for voting purpose. Most of the people invest in equities (stocks) to take an advantage of speculation and capital appreciation. So these two factors are considered as critical factors for investors in investing in equities (stocks).

10. RESPONDENTS INTEREST TO INVEST IN LONG TERM (More than 12 months)

Table No. 10

Particulars	Frequency	Percent	Cumulative Percent
Yes	66	73.0	73.0
No	24	27.0	100.0
Total	90	100.0	

Source: Field survey

By analyzing the above table10, it is clear that 73% of the respondents intend to invest in mutual fund for long term basis; where as only 27% of the investors intend to invest in short term mutual funds. It means majority of them are interested in long term investment.

11. OPTION AVAILABLE TO INVEST IN EQUITY MARKET

Table No.11

Particulars	Frequency	Percent	Cumulative Percent
IPO	12	13.0	13.0
Cash	54	60.0	73.0
F & O	24	27.0	100.0
Total	90	100.0	

Source: Field survey

By analyzing the above graph clears that, in equity market 60% of the investors Invested in cash, 27% of the investors invested in future and options and only 13% of the investors invested in initial public offers.

12. INVESTMENT OPTION BASED ON INVESTMENT OBJECTIVES

Table No. 12

Particulars	Frequency	Percent	Cumulative Percent
Equity fund	42	47.0	47.0
Debt fund	9	10.0	57.0
Balanced fund	21	23.0	70.0
Liquid Fund	3	3.0	80.0
Gilt fund	15	17.0	100.0
Total	90	100.0	

Source: Field survey

From the above table it is clear that, 47% of the investors invested in equity fund, 23% of the investors invested in balanced fund, 3% of the investors invested in liquid fund, 17% of investors invested in gilt fund and only 10% of the investors are invested in debt fund. It indicates maximum number of investors have an objective to invest in equity.

13. RESPONDENTS SATISFACTION WITH ON-LINE TRADING

Table No. 13

Particulars	Frequency	Percent	Cumulative Percent
Excellent	18	20.00	20.00
Very Good	24	26.67	46.67
Good	33	36.67	83.34
Average	15	16.66	100
Total	90	100	

Source: Field survey

By analyzing the above table, it is understood that of the total respondents 20% of the respondents satisfied with on-line trading and says excellent, 26.67% of the respondent says

very good, 36.67% of the of the respondent says good, and 16.67% of the respondent says average satisfied with online-trading.

14. SERVICE ATTRIBUTES EXPECTED BY THE INVESTOR

Table No.14

Attribute	Frequency	Percent	Cumulative Percent
Quality of Service	33	36.67	36.67
Market Updates	18	20.00	56.67
Returns Provided	15	16.67	73.34
Safety and Security	24	26.66	100
Total	90	100	

Source: Field survey

It is understood from the above table that, 36.67% of the respondents says they want quality services, 20% of the respondent says market updates, 16.67% says returns provided and 26.66% of the respondent says safety and security. So majority concentrates on quality services.

15. VALUE-ADDED SERVICES TO CLIENT BY ONLINE TRANSACTION UPDATES

Table No. 15

Particulars	Frequency	Percent	Cumulative Percent
Faxes / E-mails	18	20.00	20.00
Portfolio updates	21	23.33	43.33
Daily updates	51	56.67	100
Total	90	100	

Source: Field survey

From the table 15, it is clear that, 20% of the respondents wants online updates of the transaction by fax/e-mails, 23.33% of the respondents are in need of portfolio updates and 56.67 of the respondent wants daily updates on the trading aspects.

16. SATISFACTION OF INFRASTRUCTURE IN SHCIL

Table No. 16

Particulars	Frequency	Percent	Cumulative Percent
Very Good	24	26.67	26.67
Good	36	40.00	66.67
Good Average	30	33.33	100
Total	90	100	

Source: Field survey

By analyzing the above table 16, it is clear that, 26.67% of the respondents say the infrastructure in SHCIL is very good, 40% of the respondents say well and 33.33% of the respondent says it is good average.

17. EFFICIENCY AND EFFECTIVENESS OF SERVICES OF SHCIL

Table No. 17

Particulars	Frequency	Percent	Cumulative Percent
Very good	27	30.00	30.00
Good	39	44.33	74.33
Average	24	26.67	100
Total	90	100	

Source: Field survey

It is inferred from the above table 17 that, 30% of the respondents are very happy with efficiency and effectiveness of depository provider service; 44.33% of the respondents says it is good and 26.67% of the respondents says it is average.

18. SAFETY OF DEMAT

Table: No. 18

Response	Frequency	Percent	Cumulative Percent
Yes	51	56.67	56.67
No	39	43.33	100
Total	90	100	

Source: Field survey

It is cleared from the above table that, out of 90 samples size 56.67% of the respondents say demat is safe and secure and the remaining 43.33% of the investors not sure about safety and surety of demat.

19. SERVICE CHARGES CHARGED BY SHCIL

Table No. 19

Particulars	Frequency	Percent	Cumulative Percent
High	36	40	40
Reasonable	42	46.67	86.67
low	12	13.33	100
Total	90	100	

Source: Field survey

By analyzing the above table that, 40% of the respondents say that the service charge taken by SHCIL is high, 46.67% of the respondents say as reasonable and 13.33% of the respondents says that it is low.

20. BETTER INVESTMENT OPTION OF RESPONDENTS

Table No. 20

Investment area	Frequency	Percent	Cumulative Percent
Mutual Fund	63	70.0	70.0
Equity market	27	30.0	100.0
Total	90	100.0	

Source: Field survey

Out of 90 sample size 70% of the investors say's mutual fund is the better investment option and the remaining 30% of the investors say's that equity market is the better option.

FINDINGS OF THE STUDY

- 1) The first and the foremost finding is that Investor studies the industry, firms and market before taking investment decisions about investment.
- 2) Out of 90 sample size, 50% of the investors are aged between 18-30 yrs. The persons who aged above 61 yrs & above are less interested in stock market investment.
- 3) Among the total respondents 47% of the investors are business people and only 3% of the investors are retired people.
- 4) Income of an investor is important factor, which affects his investment potential. Of the respondents 57% of investors have their income level 1-3 lakhs.
- 5) Only 8 % of the respondents are made investment in bank deposits.
- 6) Future security and regular returns are the two main factors considered by investors while investing.
- 7) Out of 90 respondents, 21% of the investors invested in mutual funds and 33% of the investors invested in both mutual funds and equity market.
- 8) Only 10% of the respondents know about mutual fund/equities (stocks) by periodicals and 16% of the respondents know by the broker's advice.
- 9) Better return and safety are most critical factors considered by the investors while investing in any mutual funds.
- 10) Of the total respondents 46% of the investors invest in equities (stocks) to take an advantage of speculation and capital appreciation.
- 11) About 73% of investors are investing their money for long term in mutual funds and the remaining respondents are invested cash.
- 12) Only 47% of the investors invested in mutual funds based on the investment objective of equity fund followed by only 3% in liquid fund and 17% of investors invested in gilt fund.
- 13) In Equity market only 13% of the respondents are invested in IPO's and 75% of the respondents are invested cash.

CONCLUSION

Mutual funds are the better option for the investors but the awareness of investors in Belgaum region of Karnataka state is moderate as for as various mutual fund schemes are concerned. It has been noticed during the study that there is a huge potential of prospective investors which

has untapped at its fullest. If mutual fund agencies and stock marketers conduct and organizes more seminars, workshops then the investors come forward to invest in various mutual fund schemes and equities. The number of broker advisors should be increased in order to create awareness about their stock brokering services to attract new customers/investors. Investors have the perception that risk in equity is higher than mutual funds. So the company should publish monthly chronicle, supply to investor providing detailed information by proving market updating. To create the awareness about the different products of mutual funds and not about the generic product. Since investors, investment decision is based on study of different sources of information SHCIL should start giving advertisement in business newspaper, in media, internet and also in business magazine.

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