

# “Awareness of mutual funds among the youths’: A study with reference to Mangalore city”

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## Abstract

Day by day Indian financial market is becoming competitive and the supply of various financial instruments needs to be in equilibrium to the demand perspectives of the investors. The prime drive of any investment is to get maximum return with a minimum risk and mutual funds provide the opportunity for the investors. The research provides an insight into the types of risks which exist in a mutual fund scheme. The data was collected from mutual fund investors as well as non-mutual fund investors. The research focuses on the relationship between investment decision and factors like liquidity, financial awareness, and demography. It was found low risk funds and liquidity of fund scheme having impact on the investor's perception for investing in the mutual fund.

Mutual fund is an investment vehicle that pools the money of many investors, and collectively invests this amount in either the equity market or the debt and money market, or both, depending upon the objective of the scheme. This means one can access either the equity or the debt market, or both, with investing directly now mutual do innovation into objective of fund by introducing liquid fund by putting some amount in this fund money slowly move to desired fund without losing any benefit. My study is conducted in Mangalore city. By collecting responses we observed that youths’ are aware and eager to invest in mutual funds. In our study we touch

students, business man and working people of middle class. And found that people are hungry to invest in Good Avenue.

The main objective of our study is to know the awareness of mutual fund among the youths' and its usage. They are using different schemes to invest their money and to get higher return. By survey we found that many youths' are satisfied by investing their money in mutual fund but, certain percentage of youths' are not aware of mutual fund investment.

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## **INTRODUCTION**

A Mutual fund pools the money of people with certain investment goals. The money invested in various securities depending on the objectives of the mutual fund scheme and the profits/loss is shared among investors in proportion to their investment. Invested amount in securities are spread across a wide cross-section of industries and sectors. 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. Investors of mutual funds are known as unit holders. The profits /losses are shared by the investors in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with the Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

A Mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money collected from investors is invested in capital market instrument such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit's holder in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the youths' as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at relatively low cost.

Mutual funds can be invested in many different kinds of securities. The most common are cash, stock, and bonds, but there are hundreds of sub-categories. Stock funds invest primarily in the shares of a particular industry, such as technology or utilities. These are known as sector funds. Bond funds can vary according to risk (e.g., high-yield or junk bonds, investment-grade corporate bonds), type of issuers (e.g., government agencies, corporations, or municipalities), or maturity of the bonds (short- or long-term). Both stock and bond funds can invest in primarily U.S. securities (domestic funds), both U.S. and foreign securities (global funds), or primarily foreign securities (international funds). A mutual fund is administered through a parent management company, which may hire or fire fund managers.

## **Objectives:**

The fundamental objective is to know the awareness of mutual funds among the youths'

## **Other specific objectives:**

- To know about the acceptability of mutual fund.
- To know about factor behind the investment in mutual fund.
- To evaluate the knowledge level of investors about mutual fund and its terms.
- To find out how the investor is influenced to make investment in Mutual Fund.

## **RESEARCH METHODOLOGY**

The study is descriptive and diagnostic in nature. The study is based on primary data and secondary data. The primary data is collected through questionnaires from the students of Mangalore University and the secondary data is collected from the internet sources.

## **Types of mutual fund scheme:**

### 1) By structure:

- 1.1 Open-ended scheme
- 1.2 Closed-ended scheme
- 1.3 Interval scheme

### 2) By investment objective:

- 2.1) Growth scheme
- 2.2) Income scheme
- 2.3) Balanced scheme

### 2) Other schemes:

- 3.1) Tax saving scheme
- 3.2) Index schemes
- 3.3) Sector specific scheme

#### 1.1 Open-ended scheme:

These funds do not have a fixed maturity period. These schemes are available for subscription and redemption throughout the year. These are not listed in the stock market. Investors can buy and sell units at net asset value (NAV) from the AMC (asset management companies). The number of outstanding units varies on a daily basis.

### 1.2 closed-ended schemes:

These schemes have a stipulated maturity period for say, 5-7 years. These funds are redeemable. These funds are opened for subscription only for a specified period that is 3-5 years. It is listed in stock exchange and the limited units are sold to investors during a specified period only.

### 1.3 Interval scheme:

These schemes combine the both the features of open-ended and closed-ended scheme. They may be traded on the stock exchange or may be open for sale or redemption during pre-determined intervals at net asset value based prices.

### 2.1 Growth scheme:

These schemes, also commonly called equity schemes, seek to invest a majority of their funds in equities and a small portion in money market instruments. Such schemes have the potential to deliver superior returns over the long term. However, because they invest in equities these schemes are exposed to fluctuation in value especially in the short term.

### 2.2 Income scheme:

These schemes is known as debt schemes, invest in debt securities such as corporate bonds, debentures and government securities. The prices of the schemes tend to be more stable compared with equity schemes and most of the returns to the investors are generated through dividends or steady capital appreciation. These schemes ideal for conservative investors or those not in a position to take higher equity risk such as retire individuals.

### 2.3 Balanced schemes:

These schemes are known as high bread schemes. These schemes invest in both equities as well as debt. By investing in a mix of this nature, balanced schemes seek to attain the objective of the income and moderate capital appreciation and are ideal for investors with a conservative, long-term orientation.

### 3.1 Tax saving schemes:

Investors are being encouraged to invest in equity market through equity linked saving schemes (ELSS) by offering them a tax rebate unit purchased cannot be assigned/ transferred/ pledged/ redeemed/ switched-out until completion of three years from the date of allotment of respective units. The scheme is subject to SEBI mutual fund regulation, 1996 and the notification issued by the Ministry of Finance (Department of Economic affairs), Government of India regarding ELSS.

### 3.2 Index schemes:

The primary purpose of an index is to serve as a measure of the performance of the market as whole, or specific sector of the market. An index also serves as a relevant benchmark to evaluate the performance of mutual funds. Some investors are interested in investing in the market in general rather than investing in any specific fund. Such investors are happy to receive the returns posted by the markets. As it is not practical to invest in each and every stock in the market in proportion to its size, these investors are comfortable investing in a fund that they believe is a good representative of the entire market. Index funds are launched and managed for such investors.

### 3.3 Sectors specific schemes:

Sectors specific schemes generally invests money in some specified sectors for example “real estate” specialized real estate funds would invest in real estate directly, or may fund real estate developers or lend to them directly or by shares of housing finance companies or may even buy their secured assets.

## **Data analysis and interpretation**

### **Table no.1:**

Showing the demographic profile of the respondents:

		<b>Number of student responded</b>	<b>Percentage</b>
<b>Gender</b>	Male	36	60%
	Female	24	40%
	<b>Total</b>	<b>60</b>	100%
<b>age</b>	15-20	2	3.33%

	<b>20-25</b>	<b>46</b>	76.7%
	<b>25-35</b>	8	13.3%
	<b>35 above</b>	<b>4</b>	6.7%
	<b>Total</b>	<b>60</b>	100%
<b>Area of study</b>	PUC	4	6.7%
	Under graduate	0	0%
	Post graduate	50	83.3%
	Graduate	6	10%
	<b>Total</b>	<b>60</b>	100%
<b>Family income</b>	Less than 10000	10	16.7%
	10001-25000	10	16.7%
	25001-50000	20	33.33%
	50001-100000	10	16.7%
	Above 100000	10	16.7%
	<b>Total</b>	<b>60</b>	100%
<b>occupation</b>	Government sector	<b>10</b>	16.7%
	<b>Professionals</b>	<b>4</b>	6.7%
	<b>Private sector</b>	<b>22</b>	36.7%
	<b>Business</b>	<b>2</b>	3.3%
	<b>Agriculture</b>	<b>2</b>	3.3%
	<b>Other</b>	<b>20</b>	33.3%
	<b>Total</b>	<b>60</b>	100%

(Source: field survey, 2023)

This table clears the basic details of the total respondent. This analysis is made on the response of the 60 respondents. Here the male respondent is 36 and female respondent is 24. Based on area of study majority of the youths' belongs to post graduation. The majority of the respondent's monthly income level is 25001 to 50000 and the occupation of the respondent is more in other sector.

**Table 2:**

Awareness of the respondent:

Response	Number of respondent	Percentage of respondent
Yes	38	63.3%
no	22	36.7%

(Source: field survey, 2023)

As per the analysis most of the youths' are aware of mutual funds and their knowledge about this concept is acceptable.

**Table 3:**

The sector from where investors came to know about mutual fund

Sectors	Number of respondent	Percentage of respondent
Advertisement	16	36.4%
Financial institutions	8	18.2%
Brokers	8	18.2%
Internet	8	18.2%
Print media	4	9.1%
Total	60	100%

(Source: field survey, 2023)

As per the analysis majority of the respondents are came to know about mutual funds through advertisements and rest have the same ratings.

**Table 4:**

The mutual funds have been purchased from,

Sources	Number of respondents	% of respondents
Directly from AMCs	2	3.3%
Online	10	16.7%
Through brokers/ agents	24	40%
Through bank branches	18	30%
Other sources	6	10%
Total	60	100%

(Source: field survey, 2023)

The table shows that many investors are purchasing mutual funds through brokers and very few investors are purchasing directly from AMCs.

**Table 5:**

Reason for investing in mutual funds

Response	Number of respondents	% of respondents
More return	18	30%
Tax benefit	10	16.7%
Safety	10	16.7%
Diversification	2	3.3%
All the above	20	33.3%



Total	60	100%
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(Source: field survey, 2023)

According to the survey many investors are investing their money in mutual funds to get all the benefits like more return, tax benefits, safety, diversification, etc.

**Table 6:**

Awareness of the investors about the fact that mutual fund companies invest their money in share market.

Response	Number of respondents	% of respondents
Yes	50	83.3%
No	10	16.7%
Total	60	100%

(Source: field survey, 2023)

As per the survey we got to know that most of the respondents are aware about the fact that their investments are being invested by the AMCs in share market.

**Table 7:**

The level of agreement whether mutual fund are useful for the small investors

Response	Number of respondent	% of respondent
Strongly agree	16	26.7%
Agree	36	60%
Neutral	8	13.3%
Disagree	0	0%
Strongly disagree	0	0%
Total	60	100%

(Source: field survey, 2023)

As per the table the respondents have agreed that mutual fund investment are useful for the small investors up to 60%.

**Table 8:**

Mutual fund viewed as risk free investment

Response	Number of respondent	% of respondents
Yes	34	56.7%
No	26	43.3%

Total	60	100%
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(Source: field survey, 2023)

The table shows that 56.7% have agreed mutual fund investment as risk free investment and the rest of the respondents are not agreed.

**Table 9:**

Factors considered by investors before investing their money in mutual funds

Factors	Number of respondents	Percentage of respondents
Past performance(NAV)	24	40%
Ratings( CRISIL, ICRA,etc.)	20	33.3%
Asset management companies (AMC)	0	0%
Expert Advise	16	26.7%
Total	60	100%

(Source: field survey, 2023)

The table shows that the most of the respondents have considered past performance of the company before investing their money in mutual fund investments.

**Table 10:**

Overall experience of the respondents.

Respondents	Number of the respondents	Percentage of respondents
Highly satisfied	2	3.33%
Satisfied	28	46.67%
Average	30	50%
dissatisfied	0	0%
Highly dissatisfied	0	0%
Total	60	100%

(Source: field survey, 2023)

As per the analysis we came to know that most of the investors are satisfied with the mutual investments and no investors are unsatisfied.

## **Conclusion**

The present study analyses the mutual fund investments in relation to youths' awareness.

Investors' opinion and perception has been studied relating to various issues like awareness, level of satisfaction, role of financial advisers and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, etc. This study is very important in order to judge the youths' awareness of mutual fund investments. The present investigation outlined that mostly the investors have positive approach towards investing in mutual funds. In order to maintain their confidence in mutual funds they should be provided with timely information relating to different trends in the mutual fund industry. For achieving heights in the financial sector, the mutual fund companies should formulate the strategies in such a way that helps in fulfilling the investors' expectations. Today the main task before mutual fund industry is to convert the potential investors into the reality investors. New and more innovative schemes should be launched from time to time so that investor's confidence should be maintained. All this will lead to the overall growth and development of the mutual fund industry.

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