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“A Study On Investor Awareness About Investment Of Mutual Funds In Ballari City”

Ms Misba Fathima(Author 1)

Student, Department of Management Studies(MBA), Ballari Institute of Technology & Management,Ballari, Karnataka, India

Prof. Moula Hussain K(Author 2)

Assistant Professor, Department of Management Studies(MBA), Ballari Institute of Technology & Management,Ballari, Karnataka, India

Abstract

Investment is done with the motive of earning a regular return, risk-free. In our country, a number of investment measures can be seen ranging from insurance policies to shares or debentures. The type of investment chosen depends upon the income level and the risk taking ability of the investor. Mutual Funds are an emerging mode of investment with great potential as its got diverging investing modes with regular return and minimized risk. But the awareness level it has with respect to the citizens of our country is really low. The vague knowledge on the same has forced many to stay away or even opt out from such mode of investment. This study has been adopted with the aim to study the awareness level mutual funds have among the investing population in India and to suggest better remedies to familiarize them among the population.

KEYWORDS: Mutual fund, investors' perception, investors' behavior, objectives, Investment, Risk, Return, Awareness, Familiarize

Introduction

In today's financial market, investors have a plethora of options to explore based on their risk appetite and investment goals. Individuals have the choice to pursue conventional, low-risk avenues such as bank deposits, corporate bonds, and debentures, which provide stable albeit moderate returns. On the other hand, there's the high-risk, high-reward realm of stocks, where investors can potentially earn substantial returns but also face significant risks.

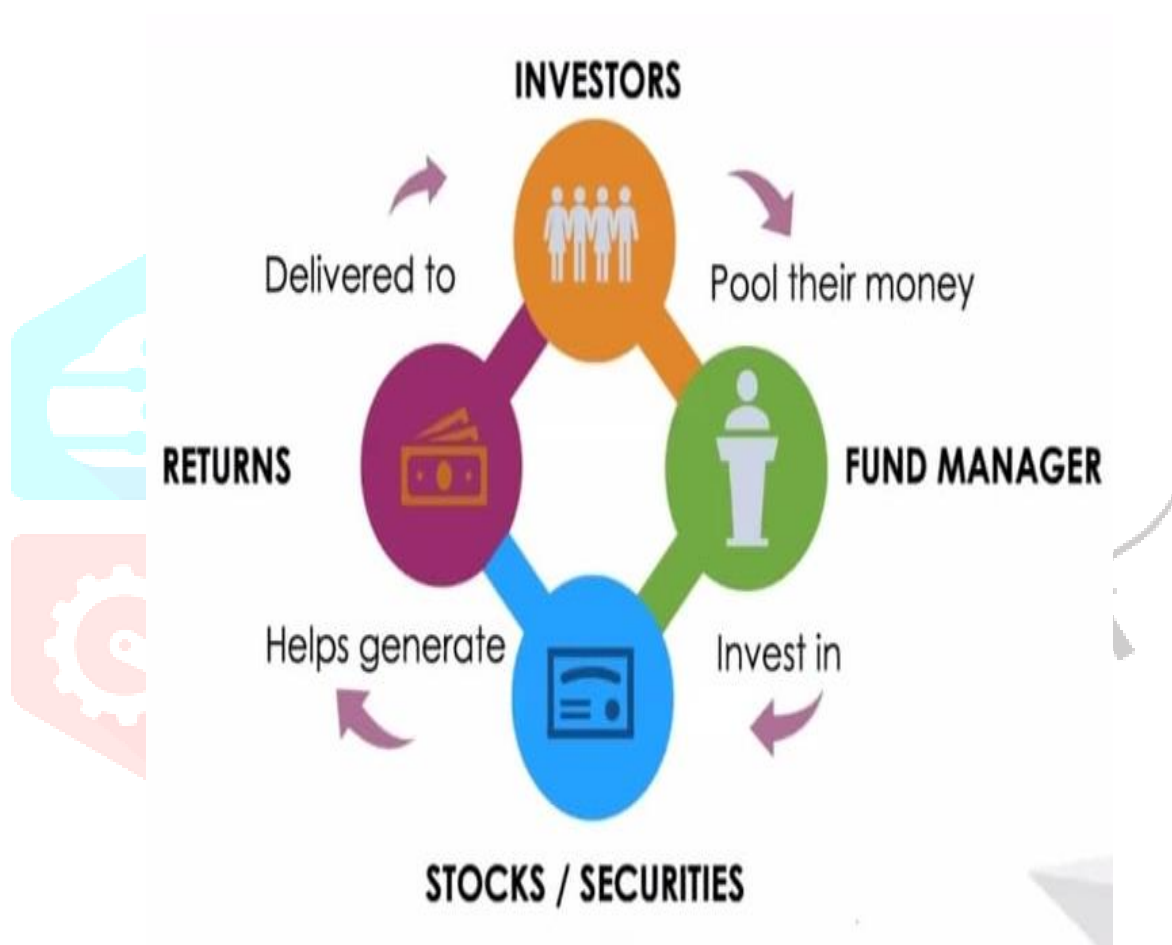
However, the unpredictable behaviour of the stock market has resulted in numerous individual investors experiencing losses during periods of bearish sentiment. Seeking refuge, they turned to portfolio managers for expertise in navigating the market, but these services often came at a high cost, making them inaccessible to small investors. Consequently, mutual funds have become a favoured option among retail investors aiming to increase their wealth while mitigating risk.

A mutual fund is a collective investment vehicle where multiple investors with similar financial goals pool their savings. This pooled money is then invested based on a predefined objective. Each investor holds a stake in the fund, making it a shared ownership. After pooling funds, the mutual fund then distributes these resources across a variety of capital market instruments, encompassing stocks, bonds, and securities.

Mutual funds distribute investments across different industries and sectors, reducing risk through diversification. This strategy minimizes the impact of individual stock movements on the overall portfolio. Investors receive units corresponding to their invested amount, making them unit holders in the mutual fund.

Mutual funds distribute profits or losses based on investor's contributions, ensuring proportional returns. Mutual funds provide a range of schemes designed to meet various investment objectives, introduced at regular intervals. SEBI requires mutual funds in India to register, ensuring regulatory oversight before they can solicit funds from the public.

Therefore, a mutual fund offers a perfect opportunity for the ordinary investor, granting access to a professionally curated assortment of diverse securities at a fair cost. The following flowchart outlines the fundamental operations of a mutual fund.



Review of literature

1. **Partha Majumdar (2024)** "Mutual Fund Investing" is a comprehensive guide aimed at demystifying mutual funds for middle-class investors globally. It covers essential topics such as fund types, tax implications, and risk assessment, providing actionable insights for informed decision-making.
2. **Akshaya S Das and Sumathy Mohan(2023)** The literature on mutual fund awareness studies reveals a keen interest in understanding public knowledge and investment behaviours regarding these financial vehicles.
3. **KanwalGurleen Singh (2022)** it underscores mutual funds as vital channels for investors to participate in both stock markets and bonds, providing professional management expertise and a variety of investment choices. Highlighting the security, liquidity, and growth potential they provide.
4. **Mihir Dash and Rita S (2023)** this study examines the immediate impacts of portfolio allocation on mutual fund performance, concentrating on both debt and equity funds. The research identifies crucial factors affecting fund performance, notably the influence of allocation in particular instruments and sectors.
5. **J. Udhayakumar and A. G. Mythili (2024)** This study explores the factors influencing investors' decisions to invest in mutual funds, highlighting the rapid expansion of the industry since the inception of UTI in 1964. Mutual funds are acknowledged as a significant investment avenue worldwide, providing low risk and income security, which is particularly attractive to average and smaller investors.
6. **Dr. N. K. Sathya Pal Raman and Ravikumar R. (2013)** the correlation between risk and return in relation to equity-based mutual funds in India was investigated. Fifteen years (April 1999-April 2013) were spent looking at four different commercial and two government-run services.
7. **L. Bhumi Patel and Dr. Vijay Gondaliya (2021)** conducted an empirical comparison of direct equity and mutual funds. This report draws on findings from a study that evaluates and contrasts several stocks depending on their performance.
8. **Debasish Biswas(2023)** with a sample size comprising 20 funds, the research analyses the risk-return profile of Indian mutual funds, underscoring their attractiveness to investors aiming for both stability and profitability in their investment endeavors.
9. **Pirakatheeswari P(2024)** this article suggests that it's important to look at how much risk you're taking compared to the returns you might get. Large-cap funds, which invest in big companies, have been studied a lot. Typically, they outperform the broader market and can serve as a favourable option for individuals seeking to invest in established companies. This research helps investors, fund managers, and analysts decide where to put their money.
10. **Dr Syed ShahidMazhar (2021)** Research on India's financial sector evolution post-liberalization highlights a shift from socialism to a more open economy, aiming for rapid development and effective resource utilization. Despite significant reforms like nationalization of banks and insurance, rural financial inclusion remained limited. Government initiatives, though well-intentioned, faced challenges like lack of competition and inefficiency. Yet, the reforms during the second wave placed a priority on improving financial freedom and inclusion, concentrating on advancing financial literacy and expanding geographical accessibility, particularly in sectors like insurance and mutual funds.
11. **Shohom Pal (2021)** the paper discusses the growth phases of the industry over decades and compares fund mobilization across different states and major cities. Overall, the expanding reach of mutual funds in India is perceived as advantageous for economic progress.
12. **Vikram Singh Rajpurohit (2013)** recent regulatory changes in India now allow foreign investors to access the country's equity and infrastructure debt markets through rupee-denominated mutual funds. The liberalization, a joint effort by the Ministry of Finance, RBI, and SEBI, simplifies rules for foreign investment in domestic mutual funds. Foreign investors can hold fund units directly in dematerialized accounts or indirectly through unit confirmation receipts issued by overseas issuers.
13. **Irfan Ahmad Mir (2024)** through robust statistical analysis, including measures like beta, Jensen, Sharpe, and Treynor ratios, the study provides a comprehensive evaluation of these funds' effectiveness. By shedding light on their risk-return profiles, the research equips both experienced and novice investors with valuable tools for navigating the financial market confidently. This thorough analysis contributes to a deeper understanding of mutual funds' dynamics and aids in informed decision-making for short and long-term investments.

14. **Amrit Pal Singh (2019)** a study was conducted to comprehend the behavioural tendencies of investors in the North Eastern region regarding their investment portfolios in equity and mutual funds. During that period, UTI and SBI schemes were prevalent in that area, while alternative funds had not demonstrated significant popularity.
15. **O.V.A. M. Sridevi (2018)** the research titled "Performance Analysis of Mutual Funds: An analysis of chosen mid-cap and small-cap funds " uncovered that among the two schemes scrutinized for both mid cap and small cap funds, certain funds exhibited superior performance in comparison to the benchmark returns. However, not all funds exhibited positive outcomes. In the mid cap category, the performance of Axis Balanced Fund was relatively insignificant, while in the small cap category, the performance of HSBC Balanced was considered favorable. Overall, the study indicates diversified results across the schemes analyzed.

Statistical Tools And Techniques:

Collected data tabulated, analysed and interpreted by using various statistical tools and techniques like charts, graphs and tables.

Objectives Of The Study

1. The main objective is to assess the level of awareness among investors in Ballari City regarding mutual funds.
2. To know the preference of common investors for investment in Ballari.
3. To give an idea about regulations of mutual funds.

Need & Significance Of The Study

The main purpose of conducting this project was to acquire a thorough understanding of the mutual fund industry, covering its inception, operational mechanisms, evolutionary journey, and future potential. The research focused on examining the level of awareness among investors regarding mutual funds and their potential as an investment option.

Research methodology

Research methodology plays a crucial role in problem identification, data collection, analysis, and proposing alternative solutions.

RESEARCH DESIGN:

This research is qualitative and descriptive. Qualitative research focuses on the quality or nature of the subject being studied, while descriptive research aims to describe things as they currently exist.

Data Collection:

There are two types of data

1) Primary Data

Research is totally based on primary data, data is collected with the help of a Questionnaire.

2) Secondary Data

Secondary data is obtained from the internet and various websites were utilized to gather accurate information and industry insights regarding mutual funds.

SAMPLING SIZE:

The research consists of the 100 sample size.

POPULATION:

The target population on was the investors and non-investors of Ballaricity.

Scope Of The Study

The mutual fund industry is booming lately, with numerous new enterprises entering the market to grab a piece of the action. In Ballari City, in a research endeavour, 100 individuals were surveyed to gauge their attitudes toward mutual funds and the factors influencing their investment decisions. This research aims to understand what customers prefer in terms of companies, investment factors, modes of investing, and options for returns. By learning about these preferences, mutual fund companies can plan better and come up with smarter strategies to serve their customers.

Tools for data analysis

- Analytical tools
- Percentage of analysis
- Bar chart
- Pie chart

LIMITATIONS OF THE STUDY:

- The outcomes and recommendations of this study are applicable exclusively to investors within Ballari and should not be generalized to encompass the entire population.
- A sample size of 100 is deemed small and may not sufficiently reflect the awareness levels of consumers nationwide.
- There is a possibility of data collection inaccuracies because respondents may not consistently provide precise responses to the questionnaire.
- The study may be influenced by respondents providing biased answers.

DATA ANALYSIS AND INTERPRETATION

1. GENDER OF THE RESPONDENTS

GENDER	PERCENTAGE
Male	49%
Female	51%

Table1: Gender of the respondents

Gender:

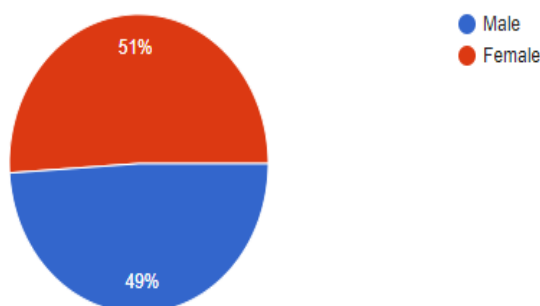


Chart 1: Gender of the respondents

INTERPRETATION:

Among all respondents, females slightly outnumber males, with females comprising 51% and males 49% of the total respondents. This indicates a slightly higher representation of females in the respondent pool.

2. OCCUPATION OF THE RESPONDENTS

Table 2: Occupation of the respondents

OCCUPATION	PERCENTAGE
Student	41%
Business	14%
Salaried	41%
Housewife	7%
Retired	0%

Occupation:

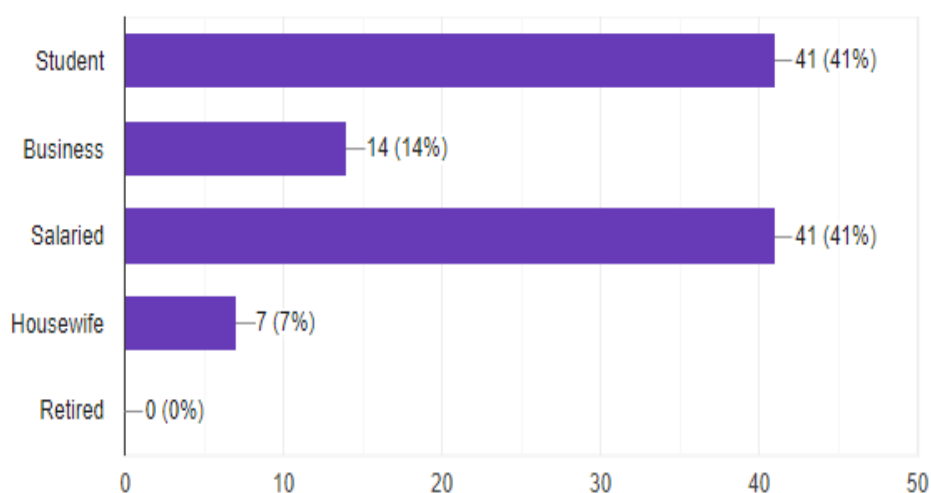


Chart 2: Occupation of the respondents

INTERPRETATION:

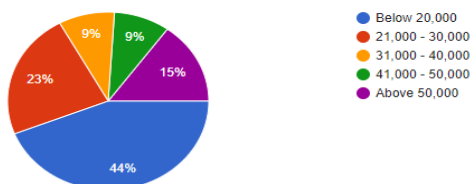
Among all respondents, the largest group consists of salaried individuals and students, comprising 41% of the total. Following this, businessmen represent the second-largest category, accounting for 14% of respondents. Conversely, the number of respondents who are housewives and retired employees is comparatively lower.

3. MONTHLY INCOME OF THE RESPONDENTS

OCCUPATION	PERCENTAGE
Below 20,000	44%
21,000-30,000	23%
31,000-40,000	9%
41,000-50,000	9%
Above 50,000	15%

Table 3: Monthly income

Monthly income:

**Chart 3: Monthly income****INTERPRETATION:**

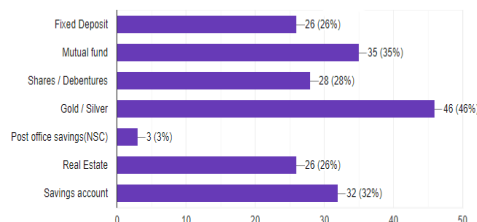
Among the 100 respondents surveyed in BallariCity, A dominant 44% of investors report earnings below Rs.20,000 per month, Following closely, 23% of investors fall within the income range of Rs.21,000 to Rs.30,000, Interestingly 15% of investors boast monthly incomes exceeding Rs.50,000, Conversely, the income groups spanning Rs.31,000 to Rs.50,000 garner a combined 18% representation.

4. WHAT IS YOUR PREFERRED INVESTMENT AVENUES?

INVESTMENT AVENUES	PERCENTAGE
Fixed Deposit	26%
Mutual Funds	35%
Shares/Debentures	28%
Gold/Silver	46%
Post office savings(NSC)	3%
Real Estate	26%
Savings account	32%

Table 4: Investment avenues

What is your preferred Investment Avenue?

**Chart 4: Investment avenues****INTERPRETATION:**

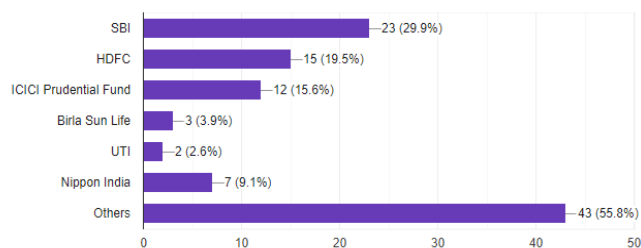
According to the data depicted in the graph, nearly half of the respondents, accounting for 46%, show interest in investing in gold and silver. Following closely behind, 35% of investors express interest in mutual funds, while 32% are inclined towards savings accounts. Meanwhile, 26% show interest in fixed deposits and real estate investments, with 28% favouring shares and debentures. Finally, a minimal 3% exhibit interest in post office savings (NSC).

5.IN WHICH COMPANY'S MUTUAL FUNDS HAVE YOU INVESTED?

NAME OF AMC	PERCENTAGE
SBI	29.9%
HDFC	19.5%
ICICI Prudential Fund	15.6%
Birla Sun Life	3.9%
UTI	2.6%
Nippon India	9.1%
Others	55.8%

Table 5: Name of AMC

In which company's Mutual Funds you have invested in?

**Chart 5: Name of AMC****INTERPRETATION:**

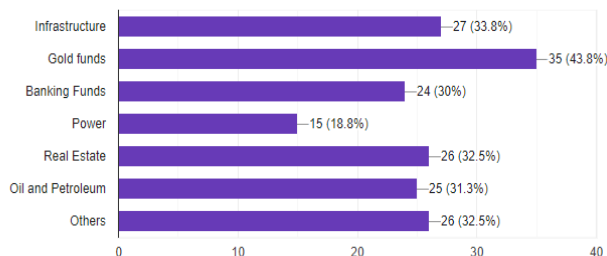
Among the 100 respondents, 29.9% invested in SBI Mutual Fund, 19.5% in HDFC, 15.6% in ICICI Prudential Fund, 9.1% in Nippon India, 3.9% in Birla Sun Life, and 2.6% in UTI. Furthermore, 55.8% of respondents invested in alternative Asset Management Companies (AMCs), indicating a broad spectrum of investment preferences.

6. WHICH SECTOR YOU PREFER TO INVEST IN MUTUAL FUNDS?

SECTORS	PERCENTAGE
Infrastructure	33.8%
Gold Funds	43.8%
Banking Funds	30%
Power	18.8%
Real Estate	32.5%
Oil and Petroleum	31.3%
Others	32.5%

Table 6: Type of sector

Which sector you prefer to invest in Mutual Funds?

**Chart 6: Type of sector****INTERPRETATION:**

Among the 100 respondents, 43.8% prefer to invest in gold funds, 33.8% in infrastructure, 32.5% in real estate, 31.3% in oil and petroleum, and 30% in banking funds. Additionally, 18.8% favor the power sector, while 32.5% prefer investing in other sectors.

SUMMARY OF FINDINGS

- There are 49% male and 51% female, indicating a slightly higher representation of females in the sample.
- The majority of respondents fall within the age range of 18 to 25 years.
- Among the 100 respondents, 63% hold a postgraduate degree, 32% possess an undergraduate degree, and 6% fall into an "other" category of education levels.
- Salaried individuals and students represent the largest group of respondents at 41%, followed by businessmen at 14%. Housewives and retired employees constitute smaller proportions in comparison.
- Among all respondents, students and salaried individuals are the most numerous.
- The primary saving goal for most respondents is personal needs, accounting for 44%. Additionally, 47% save for a combination of purposes including retirement, personal needs, emergencies, and children's education.
- The majority of respondents prioritize high returns when making investments, followed by a preference for lower risk, with inflation being the least favoured factor.

- Among the respondents, 84% were familiar with mutual funds and their operations, while 16% were not.
- Out of the 100 respondents surveyed, 48% reported actively investing in mutual funds, while the remaining 52% stated that they do not invest in mutual funds.
- Among the 100 respondents surveyed, 75.8% prefer equity funds, 21.2% opt for hybrid funds, and 15.2% allocate their investments to debt funds.
- The majority of respondents, accounting for 63%, acquired their knowledge about mutual funds from the internet.
- 58.6% of respondents are attracted to mutual funds due to their better returns and safety, while the next 41.4% value their flexibility.
- A substantial 82.9% of respondents perceive mutual funds to entail a moderate level of risk.
- The majority of investors, 72.6%, opt for a systematic investment plan (SIP), while 27.4% choose one-time investments.
- 48.6% of respondents have never redeemed their mutual funds, whereas 23% have redeemed them due to underperformance of the funds.
- 36.2% of investors refrain from investing in mutual funds due to lack of knowledge, while 40.6% cite different reasons for not investing.
- A notable 87.5% of respondents indicate an interest in future investments, whereas 12.5% have no plans to invest.

SUGGESTIONS

- ❖ Advisors should focus on altering this mind-set, particularly targeting young investors and individuals in the prime of their careers. These demographic segments are inclined to seek guidance from advisors due to their limited expertise and time constraints.
- ❖ Collaborating with educational institutions, community organizations, and government agencies allows mutual fund companies to tap into existing networks and credibility to reach a broader audience. Thereby expanding the scope of mutual fund education to various segments of the population.
- ❖ Simplifying information about mutual funds involves using easy-to-understand language and clear explanations to make complex concepts accessible to the general public. By simplifying complex terminology and offering clear explanations, more individuals are motivated to explore investing in mutual funds as they develop a better understanding of their functionality and potential advantages.
- ❖ Collaborating with regulators is essential for mutual fund growth. Clear and consistent regulations help instil investor confidence and ensure industry stability. By addressing regulatory challenges together, mutual fund companies and regulators can create a favourable environment for growth and investment, fostering trust and stability in the market.
- ❖ Expanding globally offers Indian mutual funds opportunities to access new investor pools, diversify revenue streams, and leverage India's emerging financial hub status. Yet, success hinges on adeptly navigating international regulations and forging strategic partnerships. By expanding beyond domestic borders, these funds can bolster their credibility and appeal to investors interested in gaining exposure to India's burgeoning economy. However, careful consideration of regulatory compliance and market dynamics in target countries is imperative for sustainable growth and effective cross-border fund distribution.

CONCLUSION

Today a lot of investment opportunities, investors have many options like bonds, deposits, and post office schemes to invest in the financial markets. However, nowadays, many prefer to hire portfolio managers who are experts in stock market operations to handle their investments. These managers aim for minimum assured returns. While wealth management services offered by institutions can be expensive, mutual funds provide a more affordable way for both small and large investors to protect their investments.

Many people are hesitant to invest in mutual funds due to concerns about the safety of their money. They refrain due to a lack of awareness, despite having the financial means to do so. This apprehension frequently arises due to a lack of familiarity with mutual funds and associated terminology.

This study investigates investor behaviour concerning mutual fund investments. It looks at their opinions on various issues like the type of mutual fund schemes, reasons for investing. The study also explores what attracts investors to mutual funds, their sources of information, and the challenges facing the Indian mutual fund industry. Overall, most investors have a positive outlook on mutual funds. To maintain this confidence, timely information about industry trends is crucial. Mutual fund companies need to align their strategies with investor expectations and introduce innovative schemes to attract more investors. The primary objective is to convert prospective investors into active investors.

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