International Journal of Humanities and Social Science Research
ISSN: 2455-2070
www.socialresearchjournals.com
Volume 2; Issue 2; February 2016; Page No. 33-36

A study on investment preference in mutual fund at Namakkal City. (With special reference to Reliance mutual fund)

S Vimala

Assistant Professor Department of Management Studies, Ganamani College of Technology, Namakkal.

Abstract
A mutual fund is a trust that pools the savings of number of investors, who share a common financial goal. 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. The advantage of mutual fund investing such as professional management, diversification, return potential, liquidity. we are taking the well grown corporate companies mutual fund, it was reached everywhere especially rural areas. The company indicating the name of Reliance Capital Asset Limited, this is registered under the Indian companies act 1956, the main theme of mutual fund help to awareness regarding the mutual fund increase in the public.

Keywords: Number of investors, Investment, Diversification, Mutual fund awareness to the customers.

Introduction
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 appreciations realized are 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.

Definition
“Mutual funds are collective savings and investment vehicles where savings of small (or sometimes big) investors are pooled together to invest for their mutual benefit and returns distributed proportionately”. Pooling of money ensures that small investors get the benefit of advice and expertise that is normally available only to very large investors.
“A mutual fund is an investment that pools your money with the money of an unlimited number of other investors. In return, you and the other investors each own shares of the fund. The fund's assets are invested according to an investment objective into the fund's portfolio of investments. Aggressive growth funds seek long-term capital growth by investing primarily in stocks of fast-growing smaller companies or market segments. Aggressive growth funds are also called capital appreciation funds”.
“Mutual Funds are investment companies that make investments on behalf of individuals and institutions that share common financial goals. The suitability of a particular mutual fund for an individual investor depends on the type and nature of the fund's investments and amount of diversification. Funds are rated widely as to risk and return, and such ratings can be used to establish a match with investor goals and suitability”.
"Mutual Funds schemes are managed by respective Asset Management Companies sponsored by financial institutions, banks, private companies or international firms. The biggest Indian AMC is UTI while Alliance, Franklin Templeton etc are international AMC's.
Scope for Development of Mutual Fund Business in India
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. India has a burgeoning population of middle class now estimated around 300 million. A typical Indian middle class family can have liquid savings ranging from Rs.2 to Rs.10 Lacs today. Investments in Banks are liquid and safe, but with the falling rate of interest offered by Banks on Deposits, it is no longer attractive. At best a part can be saved in bank deposits, but what are the other sources of investment for the common man? Mutual Fund is the ready answer. Viewed in this sense globally India is one of the best markets for Mutual Fund Business, so also for Insurance business. This is the reason that foreign companies compete with one another in setting up insurance and mutual fund business units in India. The sheer magnitude of the population of educated white collar employees provides unlimited scope for development of Mutual Fund Business in India.
The alternative to mutual fund is direct investment by the investor in equities and bonds or corporate deposits. All investments whether in shares, debentures or deposits involve risk. While risk cannot be eliminated, skillful management can minimise risk. Mutual Funds help to reduce risk through diversification and professional management. The experience and expertise of Mutual Fund managers in selecting fundamentally sound securities and timing their purchases and sales help them to build a diversified portfolio that minimizes risk and maximizes returns.

The Advantages of Investing in a Mutual Fund
- Professional Management:
- Diversification:
- Convenient Administration:
- Return Potential:

- Low Costs:
- Liquidity:
- Transparency:
- Flexibility:
- Choice of Schemes:
- Well Regulated:

Drawbacks of mutual funds
- Fluctuating Returns:
- Diversification, Cash, Cash and More Cash
- Misleading Advertisements

- **Types of Investment Companies**

Investment companies fall into two general categories:
- Open-end; and
- Closed-end companies.

Investment Objectives
Reliance Monthly Income Plan
Reliance Income Fund
Reliance Medium Term Fund
Reliance Liquid Fund
Reliance Liquidity Fund
Reliance Short Term Fund
Reliance Gilt Securities Fund
Reliance Floating Rate Fund.
Reliance Regular Savings Fund Debt
Option Reliance Regular Savings Fund
Equity Option
Reliance Regular Savings Fund Hybrid
Option Reliance Growth Fund Reliance
Vision Fund
Reliance Equity Opportunities Fund
Reliance Banking Fund
Reliance Diversified Power Sector Fund
Reliance Pharma Fund
Reliance Media & Entertainment Fund
Reliance Index Fund-Sensex Plan
Reliance Index Fund-Nifty Plan
Reliance NRI Equity Fund aims
Reliance Equity Fund

Main Theme of the Study
Objective of the Study
- To study the customer awareness regarding mutual fund.
- To analyse the perception of existing investors about Mutual Fund.
- To know the different perception of people regarding Risk, Rate of Return, period of investment etc.
- To study the diversification of mutual fund.
- To study the investment pattern option’s available in mutual fund.

Research Methodology
Methods of data collection
- Primary data
- Secondary data

Statistical Tools used for analysis
- Simple percentage analysis
- Chi-square

Research Design
The research design that is adopted in this study is Descriptive Research.

Sampling
A total sample size taken for this study is 100.

Convenience Sampling
Sampling Unit
Individuals, students, businessmen’s, employees, homemakers were the target respondent groups from which the data were collected.

Sampling Size
The sample size for this study is 100 respondents’ public peoples in Salem city.

CHI- SQUARE TEST
$$\psi 2 = \sum (Oi - Ei)^2 / Ei$$
Where
Oi = Observed frequency
Ei = expected frequency

Degress of Freedom
DF = (r-1)*(c-1)
Where,
DF = Degrees of freedom
r = Numbers of Rows
c = Number of columns

Review of Literature
Gupta (1974) evaluated the performance of mutual fund industry for the period 1962-71 using Sharpe, Treynor, and Jensen models. All the funds covered under the study outperformed the market irrespective of the choice of market index. The results indicated that all the three models provided identical results. Return per unit of risk varied with the level of volatility assumed and he concluded that, funds with higher volatility exhibited superior performance.
McDonald and John (1974) examined 123 mutual funds and identified the existence of positive relationship between objectives and risk. The study identified the existence of positive relationship between return and risk. The relationship between objective and risk-adjusted performance indicated that, more aggressive funds experienced better results.
Irwin, Brown, FE (1965) analyzed issues relating to investment policy, portfolio turnover rate, performance of mutual funds and its impact on the stock markets. They identified that mutual funds had a significant impact on the price movement in the stock market. They concluded that, on an average, funds did not perform better than the composite markets and there was no persistent relationship between portfolio turnover and fund performance.
Treynor (1965) used ‘characteristic line’ for relating expected rate of return of a fund to the rate of return of a suitable market average. He coined a fund performance measure taking investment risk into account. Further, to deal with a portfolio, ‘portfolio-possibility line’ was used to relate expected return to the portfolio owner’s risk preference.
Sharpe, William F (1966) developed a composite measure of return and risk. He evaluated 34 open-end mutual funds for the

period 1944-63. Reward to variability ratio for each scheme was significantly less than DJIA (Dow Jones Industrial Average) and ranged from 0.43 to 0.78. Expense ratio was inversely related with the fund performance, as correlation coefficient was 0.0505. The results depicted that good performance was associated with low expense ratio and not with the size. Sample schemes showed consistency in risk measure.

Ronay and Kim (2006) have pointed out that there isno difference in risk attitude between individuals of different gender, but between the groups, males indicate a stronger inclination to risk tolerance. Gender difference was found at an individual level, but in groups, males expressed a stronger pro-risk position than females.

Sapar, Narayan R. and Madava, R. (2003) conducted are search on the performance evaluation of Indian mutual funds in a bear market. The period of study was September 1998 to April 2002 (bear period). They started with a sample of 269 open ended schemes (out of total schemes of 433) for computing relative performance index. Then after excluding the funds whose returns are less than risk-free returns, 58 schemes were used for further analysis. Mean monthly (logarithmic) return and risk of the sample mutual fund schemes during the period were 0.59% and 7.10%, respectively, compared to similar statistics of 0.14% and 8.57% for market portfolio. The results of performance measures suggest that most of the mutual fund schemes in the sample of 58were able to satisfy sinvestor's expectations by giving excess returns over expected returns based on both premium for systematic risk and total risk.

Gupta L C (1992) attempted a household survey of investors with the objective of identifying investors' preferences for mutual funds so as to help policy makers and mutual funds in designing mutual fund products and in shaping the mutual fund industry.

Analysis

Chi- Square Analysis - 1

To following the chi-square test in table in (7 to 12) based on annual income and parameters while investing:

Solution:

Annual income/plan investing	Returns	Lower risk factor	Company	Credit rating	Lock in period	total
Less than 1.5 lacks	5	6	2	2	2	17
1.5 lacks to 2.5 lacks	8	20	8	2	2	40
3.5 lacks to 5 lacks	8	15	7	2	1	33
5 lacks and Above	2	6	0	2	0	10
Total	23	47	17	8	5	100

- Null hypothesis: H_o: there is no evidence of association between annual income and parameters while investing

Alternative hypothesis: H_1 there is evidence of association between annual income and parameters while investing

Calculation of test statistic

Annual income/plan investing	Returns	Lower risk factor	Company	Credit rating	Lock in period
Less than 1.5 lacks	3.91	7.91	2.89	1.36	.85
1.5 lacks to 2.5 lacks	9.2	18.8	6.8	3.2	2
3.5 lacks to 5 lacks	5.9	15.51	5.61	2.64	1.65
5 lacks and Above	2.3	4.7	1.8	0.8	0.5

Investment Patterns and Customer Perception Towards Mutual Funds

To find out the calculate value

CHI- SQUARE

$$\psi 2 = \sum (Oi - Ei)2 / Ei$$

= 0.31+0.50+0.27+0.30+1.56+0.16+0.01+0.21+0.45+0 +0.75+0.02+0.34+1.56+0.26+0.04+ 0.36+1.7+1.8+0.5 =11.1

Critical value

The tabulate value or critical value of =11.1 is > tabulate = 21.026, so the Null hypothesis Ho is rejected at 5% level of significance

Hence H_1 there is evidence of association between annual income and portfolio diversification.

4Findings

- It is concluded that maximum (66%) of the respondents are preferred to invest in Growth option
- It is concluded that maximum (78%) of the respondents are comes under low risk category
- It is concluded that maximum (47%) of the respondents are comes under lower risk factor category
- It is concluded that maximum 52% of the respondents are comes under risk as the important factor while investing.
- It is concluded that maximum (64%) of the respondents are comes under ATM card option category
- It is concluded that maximum 61% of the respondents are comes under satisfactory category for notification of new schemes factor.

4.3 Suggestions

- The broking firm should provide more service to the consumers for more investment
- Conduct more awareness programs on different financial product.
- It is advisable to choose TV and outdoor Medias, since they are the most outstanding Media for advertisement.
- Introduce new attractive schemes.
- More dividends will attract more customers.

Conclusion

A mutual fund brings together a group of people and invests their money in stocks, bonds, and other securities. The advantages of mutual are professional management, diversification, economic of scale, simplicity and liquidity. The limitation of mutual are high costs, over-diversification, possible tax consequences, and the inability of management to guarantee a superior return. There are many, many types of mutual funds. You can classify funds based on asset class, investing strategy, region, etc. Mutual funds have lots of costs. Costs can be broken down into ongoing fees (represented by the expense ratio) and transaction fees (loads). The biggest problems with mutual funds are their costs. Mutual funds are easy to buy and sell. You can either buy them directly from the fund company or through a third party.

References

1. Advertising & sales promotion, George e. belch, sixth edition Tata mc edition.
2. Research methodology methods &techniques, c.r.kothari, second edition.
3. Sales promotion, encyclopedia of small business, 2nd ed., 2010.
4. Brand asset management-how business can profit from the power of brand, Davis s J. consumes. Mark. 2002; 19(4):351-358.
5. Creating powerful brands, de chernatony l, McDonald m oxford: Butterworth & Heinemann, oxford, up, 1998, 2.
6. Marketing research in a marketing environment: Dillon war Irwin. Third edition. chp. 1994, 8.
7. Consumer behavior, Engel if, Blackwell, miniard pw 8thedition, Dryden press, Orlando, 1995.

Websites

www.wikepedia.com
www.relianceorganisation.com
www.customer perception.com
www.social mutual fund.com