CHAPTER-5

CONCLUSIONS AND SUGGESTIONS

5.1 CONCLUSIONS:

For studying retail investor’s attitude for ELSS, ETF and sectoral mutual fund the research has explained the investment objectives and factor that affect investment decision. It reveals the advantages of ELSS and ETF. Mutual fund plays a very important role in financial market development.

Some studies analyzed the investment pattern of mutual fund Company particularly of UTI. Studies showed that most of the schemes reported greater risk than market risk so mutual fund considered as a risky investment. Some studies founded that mutual fund have a significant impact on price movement of stock market. Over the past 46 years, Indian mutual fund industry had earned impressive growth in asset under management.

A structured questionnaire is mailed to 570 investors and responses received from 467 investors, out of them 35 questionnaires were found to incomplete and then rejected after screening. From those responses following conclusion is drawn.
5.1.1 Profile of the Investors in Mutual Fund Market:

Out of 434 investors 46.54% Investor’s annual income is less than 2lakh, 32.26% investor’s annual income is between 2lakh – 3lakh, 15.21% investor’s annual income is between 3lakh – 4lakh, 5.99% investor’s annual income is more than 4lakh. So we can see that most of the investors having the annual income less than 2lakh. This shows that most of the citizens of Rajasthan have less than 2lakh annual income.

Out of 434 investors in the sample survey, 226 investors (52.07%) save up to INR 60,000, and 142 investors (32.72%) save INR 60,001- INR 1,20,000, 44 investors (10.14%) save INR 120,001- INR 250,000 and 22 investors (5.07%) save more than INR 2,50,000. From the above information relating to the investors, we can say that the investors in Rajasthan have a very good income - savings ratio. Since income of people in Rajasthan is not so much so their saving is relatively low. This will help us to decide the percentage of money (savings) available with the investors to invest in different financial instruments.

Out of 434 investors 16.13% have school level qualification, 53.92% have college level qualification and rest 29.95% have professional level qualification but Qualification of investor has no impact on proportion of mutual funds because most of the investors in Rajasthan
invest either on the advice of their broker/financial advisor/friends etc or invest in mutual fund on the basis of their experience so their qualification does not play a role in their investment proportion. It may be possible that a person who has school level qualification investing more in mutual fund because of his experience.

5.1.2 Investor’s Preferences towards Different Mutual Fund Products:

Various options of investment are available to investors like saving account, postal saving, mutual fund, insurance, real estate etc. Investors are asked to rank options according to their preference. By weighted average score it is found that saving account is most popular option among the people of Rajasthan because there is no risk and no restriction on the number and amount of deposit. Second rank is given to insurance, third rank to Mutual Funds, fourth rank to post office/NSC, fifth rank to share/debentures, sixth rank to real estate, seventh rank to gold/silver and last preference is given to fixed deposit. So we can say a good number of investors in Rajasthan invest in mutual funds. The new generation are investing in modern investment option instead of real estate, silver/gold and fixed deposits.

Out of 434 investors 39.17% investors invest less than 25% of their total investment in mutual funds, 27.65% investors invest between 26% to
50% of their total saving, 23.05% investors invest more than 50% but less than 75% of their total saving and only 10.13% investors invest more than 75% of their total investment in mutual funds. Investors invest in Rajasthan but mostly investors invest a less proportion of their total investment in mutual funds. Investors of more age are investing more in mutual fund because more age people have less liability.

There is no relationship in gender and proportion of investment in mutual fund. Both male and female are investing approximately equally in mutual funds. Most of the single investors invest high proportion of their total investment in mutual funds while married investors invest less in mutual funds. From survey report we can say more than 50% single(unmarried) investors invest 51-75% of their total investment in mutual funds and 42.59% of total married investors invest less than 25% of their total investment. Married investors do not take more risk because of their family is dependent on them so they keep their saving mostly in their saving account or invest in any insurance. Proportion of investment in mutual fund is dependent on their annual income also. The investors are earning more, investing more in mutual funds. As the income increase the investor find out the additional avenues for investment.

Occupation also affects proportion of investment in mutual fund. Most of the businessmen and professionals invest less than 50% in mutual
funds because they invest in different options for diversifying risk. Survey report reveal that out of 8 agricultures 4 agricultures invest less than 25% in mutual funds and other 4 agricultures invest 51-75% of their total investment in mutual fund because they follow their financial advisor or broker. Most of the Govt. Services also invest 51-75% of their total investment in mutual funds because they have more knowledge about that. Private Service class investors have limited income so they avoid risk and invest very few amounts in mutual funds.

It is found that out of 434 sampled investors 35.94% in ELSS and 36.40% in sectoral mutual fund and the next preferred type of fund is the Exchange traded fund with a response from 16.12% investors. 11.52% investors invest in other mutual fund. Most of the investors prefer to invest in ELSS or sectoral mutual fund while making investment in mutual fund because of tax saving benefit. There is no impact of age, gender, marital status and annual income on the choice of mutual fund but a moderate relationship is found between investor’s occupation and their preference for type of mutual fund.

Investors of all occupation give preference to ELSS but Govt. Services give less preference to ELSS because they have no need to saving tax. In Sectoral mutual fund most of the investors come from business and agriculture occupation because they have market knowledge of their sector
and invest in their sector to earn more profit. ETF and other type of mutual fund are liked by very less investors. 30% professionals and 25% of agriculture investors like to invest in ETF. 21.88% Govt. Services, 16.67% businessmen, 14.29% private Service class and 9.52% of other investors like to invest in ETF against ELSS, Sectoral mutual fund and other types of mutual fund.

It is also found that qualification of investors also affect the choice of mutual fund. There is a moderate relationship between qualification and choice of mutual fund. Investors of school level qualification mostly (42.86%) invest in sectoral mutual fund followed by ELSS (22.86%) and other mutual funds (20%). Only 14.28% investors invest in ETF. Investors of college level education mostly invest in ELSS and sectoral mutual fund. Out of 130 professionally qualified investors 43.07% invest in ELSS, 32.31% invest in sectoral mutual funds, 12.31% invest in ETF and rest 12.31% invest in other mutual funds.

5.1.3 Investment Objectives and Preferential Feature of Investment Option Considered by Investors in Rajasthan

Out of 434 investors 21.20% invest for higher return so they invest in those options that give a good return. We can say those types of investors are ready to take some risk, 20.74% investors give importance to
trust for investment decision. 19.82% investors give importance to liquidity and other 19.82% give importance to low risk for investment decision, only 15.21% investors invest for the purpose of tax saving and very few investors (3.23%) invest for another purpose.

It is found that out of 434 investors 29.95% investors invest in mutual fund for earning capital gain, 27.19% invest for the purpose of wealth for retirement, 18.43% invest for earning regular income, and 16.59% invest for safety of capital and rest 7.83% are investing in mutual funds for other purpose. Thus we can say most of the investors of Rajasthan are investing in mutual fund for capital gain followed by for wealth for retirement.

5.1.4 Investment Experience of Investors in Mutual Fund

Out of 434 investors 26.73% of the investors have experience less than 1 year in the area of investing in mutual funds; while 40.09% have experience to a tune of 1-2 years in the area of investing in mutual fund; 24.88% of the investors have 2-4 years of experience in the area of investing in mutual fund and the remaining 8.29% have more than 4 years experience in the area of investing in mutual funds. Mostly investors of Rajasthan recently started to invest in mutual funds. There is a weak relation between age and investment experience. Below 30 years age group
have more investment experience than the investors of 30-45 age group and 45-60 age group have less experience than 30-45 age group because young generation is aware about mutual fund since the time its concept came in market but old age investors are getting awareness about them since last 1 or 2 years. There is no impact of gender on investment experience. Approximately both male and female having equal experience about mutual fund. Similarly single and married investors also have equal experience of investment in mutual fund.

There is a poor association between occupation and investment experience in mutual funds. Most of the private service class investors are investing since last four years in mutual fund because they became aware about mutual fund earlier with their colleagues and also they have more time to read and think about that. Most of the agricultures having two to four years of experience of investment in mutual funds also. Business class investors have started recently to invest in mutual fund since last one or two years. Some Government Service investors have less experience and some have more experience because some are earning or investing their pocket money in mutual fund inspired by their family members.

There is a positive correlation between annual income and years of experience. As annual income increase the no of years of experience of investment in mutual fund also increase because as income increase the
investor add more investment option in his portfolio. It may be that a person of high annual income is investing less proportion in mutual fund but investing since last three or four or more years. 48.57% investors having school level qualification have from one to two years of experience of investment in mutual funds followed by 31.43% have experience from one to two years while 11.43% have experience less than one year. Very few investors of school level qualification (8.57%) have more than four years of experience. Similarly 33.33% investors of college level qualification have one to two years of experience, 30.77% have only less than one year experience while 24.78% have two to four years of experience and very few investors (11.11%) have more than four years of experience. Professionally qualified investors mostly have 1-2 years of experience and only 3.09% have more than 4 years of experience. So we can say professionally qualified investors have less experience.

5.1.5 Opinion of Investors about Risk Involved in Mutual Fund:

From the survey results we can see that 24.42% investors feel mutual fund is very risky, 25.34% feel mutual fund is not highly risky but some risk is there, 27.18% investors feel mutual fund is average i.e. neither so much risk nor so less risk is there while 15.20% investors say that there is very low risk and 7.83% investors say that there is no risk, it is completely safe. It is found that a substantial proportion of people thought
that mutual funds were by far the highest risk investment avenue.

5.1.6 Investment Pattern of Investors:

Out of 434 investors 40.09% investors choose dividend payout option while rests of them choose equally dividend reinvestment and growth in NAV option. Mostly people liked dividend payout option because they want regular income. Out of 434 investors 46.54% prefer direct payment option while 34.56% prefer ECS and 18.89% of investors prefer executives at the door for payments. It is very clear that the majority of the investors are interested to payment directly. It is found that that 34.56 investors purchase mutual fund directly from AMCs, 32.25 % investors purchase only from brokers only, 17.05% purchase from other sources while 16.12% purchase from either brokers or sub brokers. That means most of the investors purchase directly from AMCs followed by from brokers but very few investors purchase from broker or sub broker and from other source.

It is found that source of purchasing mutual fund is dependent on age. There is a positive relationship between age and purchase point of mutual fund. As age increase the preference increases towards purchasing mutual fund directly from AMC. Young age investors purchase their mutual fund mostly Brokers only while old age give preference to
purchase directly from AMC (Asset Management companies). Source of purchasing mutual fund is independent on gender but is dependent on marital status. 33.03% single investors purchase mutual funds directly from AMCs, 28.44% purchase from only brokers, 16.51% purchase from broker or sub brokers and 22.02% purchase from other sources. Out of 216 married investors 36.11% purchase only from AMCs, and 36.11% from only brokers, 15.74% purchase from brokers or sub brokers while only 12.04% purchase from other sources. It is found that source of purchasing mutual fund is dependent on annual income. Out of 202 investors having annual income less than 2 lakhs, 33.66% purchase their mutual fund directly from AMCs, 29.7% purchase only from brokers, 17.82% purchase from brokers or sub brokers and 18.81% purchase from other sources. Out of 140 investors having annual income between 2 lakh to 3 lakh, 41.43% purchase their mutual fund directly from AMCs, 35.71% purchase from only brokers, 5.71% purchase from brokers or sub brokers and 17.14% purchase from other sources. Out of 66 investors having annual income between 3lakh to 4lakh 24.24% purchase from directly from AMCs, 30.30% purchase from brokers only, 33.33% purchase from brokers or sub brokers and only 12.12% purchase from other sources. Out of 26 investors having annual income more than 4lakh 30.77% purchase from only AMCs, while 38.46% purchase from brokers only and 15.38% purchase from brokers or sub brokers and remaining 15.38% purchase their mutual funds
from other sources. It is also found that source of purchasing mutual fund also depend on the qualification of investor. 31.43% investors having school level qualification purchase mutual funds only from brokers and 31.43% from other sources, 25.71% purchase directly from AMCs. Only 11.43% investors purchase from brokers/sub brokers. Most of the investors having college level qualification purchase mutual funds from only brokers followed by directly from AMCs. 43.08% professionally qualified investors purchase their mutual fund directly from AMCs, 26.15% purchase from only brokers, 16.92% purchase from other sources while very few investors (13.85%) purchase from broker/sub brokers.

To determine which of the fund selection criteria are perceived as more or less important the investors were asked to rank the criteria for selection of mutual fund on the basis of their preference. By using the weighted average score method it is found that first rank is given to Brand name of fund house, second rank is given to Total AUM, third rank to Product with tax benefits, fourth rank to Reputation of fund manager, fifth rank to innovativeness of scheme, and last i.e. sixth rank is given to fund management fee.

The most preferred channel is Financial Advisors because people have less time to think about their investment goals and financial products and people think that financial advisor know more about investments
opportunities and help them to find most suitable mutual fund products. Most of the investors i.e. 53.45% prefer one time investment because of the uncertainty of future they do not want to take a Burdon of regular payment while 46.55% prefer SIP. Investors asked how often they trade in mutual funds. They are given different options. The research found that 30.87% investors trade only once in a month or less, 21.66% trade 2-3 times in a month, 14.28% trade 1-2 times in a week, 15.21% investors trade 3-5 times in a week, 14.75% investors trade 6-10 times in a week while only 3.22% investors highly trade more than 10 times a week. We can say trading frequency is low in Rajasthan.

5.1.7 Features of Mutual Funds Which Attract the Investors of Rajasthan

There are different features of mutual funds for attracting investors. The investors were asked for ranking those features. By using the weighted average score method it is found that investors give first priority to professional fund manager, second priority to diversified risk, third priority to sound investment strategy fourth priority to reshuffling of the portfolio and the fifth or last priority to easiness of entering and exit.

5.1.8 Investor’s Awareness about the Exchange Traded Fund

The investors are asked about the first source of information about ETF but out of 434 investors 18.43% investors didn’t hear about ETF till
now, they are not aware about ETF. The study reveals that out of the remaining investors for most of the investors (19.35%) the first source of information about ETF is Newspapers/Magazine on ETFs followed by an advisor (16.12%), other online financial media (12.44%), friend or colleagues (11.05%), other sources (9.67%), ETF provider Ad (7.37%), from Morningstar website (4.14%) and from TV story on ETFs (1.38%)

5.1.9 Satisfaction Level and Problems Encountered by the Investors in the Mutual Fund Market

From the survey result we can see that 22.58% investors are highly satisfied with return from mutual funds, 27.64% are just satisfied, 29.03% investors have average level of satisfaction while 13.36% investors are unsatisfied with the return of mutual fund and 7.37% are highly unsatisfied with return from mutual funds. From the survey we can see that 22.11% investors are highly satisfied, 29.49% are just satisfied, 30.87% investors have average level of satisfaction while 12.44% investors are unsatisfied with the return of mutual fund and 5.06% are highly unsatisfied regarding promises made by agent or broker.

Major deficiency in mutual fund pointed out by majority of investors is unclear functioning (31.33%). However 28.57% investors feel that there is a lacking of awareness about the working of mutual funds, service dissatisfaction has been treated as major deficiency by 20.27% investors
and 16.12% feel procedural complexity while 3.68% investors think that there is no deficiency in working of mutual funds.

5.2 **SUGGESTIONS:**

Although the investors of Rajasthan know about the mutual fund but they have no deep knowledge about that. They are not aware about the technical terms of mutual funds. Because of that their investment proportion in mutual fund is very less. The risk of investment in mutual fund is often considered high as the performance of stock markets and therefore of equity based mutual funds have been volatile. Situation can be improved by following suggestions:

1. Mutual fund companies should create awareness among investors through conducting some workshops and seminars so that investors can become more educate about the importance of mutual fund in beating inflation.

2. Investors should check past performance of mutual funds and dividend also before investing in mutual fund. If they are investing in equity or stock market related mutual fund then they should go for SIP option. If investor is risk adverse then he should avoid sectoral mutual fund.
3. The mutual fund companies should make schemes keeping in view the behavior of investors.

4. As majority of the investors feel the risk as under performance, Mutual Fund companies may work hard to offer the returns as expected by them.

5. The mutual fund companies may focus more on the investors whose annual income is more than 4lakhs as they consider the risk in mutual fund is low.

6. Mutual fund companies may concentrate more on unmarried investors for their resource mobilization as their financial liabilities are less.

7. As every investment involves risk, the MFCs may try to educate the investors about risks by conducting awareness programmes.

8. MF Company can use brand name and Image of fund manager as an important promotional tool for gaining market share.

9. Tax incentive is the most important objective for investing in MFs; therefore MF companies should launch tax saving mutual funds for Rajasthan state.

10. Asset Management Companies should try to build strong image
among public and should provide better services to investors.

11. The mutual fund companies should also establish their branches in small towns also.

12. The public sector network of nationalized banks, private banks and post offices should be used as distribution channels of mutual funds.

5.3 LIMITATIONS OF THE STUDY:

The limitations of the study are as follows:

1. The Universe of the study is limited to the mutual fund investors in Rajasthan while in India most of the mutual fund investors concentric in Metro cities.

2. Because of non-sampling errors, like misunderstanding of the questions, over or under representation of their response, and so on.

3. In Rajasthan investors are investing with the help of financial advisor or broker so although they are investing in mutual funds but not aware so much about the mutual funds schemes, its technical terms.

4. The data analysis is subjected with the limitations of statistical analysis.

5. The main objective of study is ideally to know the preference of retail investors specially for ELSS, ETF and sectoral mutual fund;
such an analysis is difficult task in Rajasthan as although investors of Rajasthan are investing in mutual fund but they are not aware about the types of mutual funds.

6. Many more questions could be included in the questionnaire but due to lack of time and resources only limited questions could be included.

7. Sample size is very small so it can not be the representative of entire Rajasthan.

8. During the survey it was found that respondents were not ready to share their personal information so a response bias is also the limitation of the study.

5.4 FUTURE SCOPE

The study of investor’s behavior is important for improving the performance of independent investors and professional financial advisor. The present study can be further extended to cover factors affecting investor’s attitude towards pension fund. Depositors approach towards mutual fund investment can be researched further, based on wider geographical area. The study can be supplemented for commodity market and insurance also. Classification of retail investors can be done on other basis like availability of time, family environment etc. Similar studies on this line may be conducted in other cities too and for different investment
products in India. This study is focused on retail investors can be extended to institutional investors.
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**Websites**

1. www.amfi.com
2. www.mutualfindresearchonline.com
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4. www.indiacapital.com
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6. www.sebi.com
7. www.valueresearchonline.com
8. www.mutualfundsindia.com
Subject: Request for returning the dully filled questionnaire for research purpose.

Dear Sir/Madam

This is to inform you that I have taken research topic “A Study of Retail Investor’s Attitude for Investment in Equity Linked Saving Schemes, Sectoral Mutual Funds and Exchange Traded Funds” at Banasthali Vidyapith under the guidance of Prof. Siddharth Shastri, Vice President, Banasthali Vidyapith for my research work. I stand to seek information on the above mentioned topic.

I request you to kindly assume the questions mentioned in the questionnaire and return it at your earliest to the undersigned. Grace & Frank feedback from your side will be of immense contribution to the present research.

I assure you that the information gathered from you will be kept confidential and will be used only for Ph.D. work. If required you can seek confirmation about research work from Prof. Siddharth Shastri, Research Supervisor, Banasthali Vidyapith, Rajasthan. Contact at or call at this no. 09352141459

Thank you very much for your time

Regards

Priyanka Vijay

Faculty of Management studies

Banasthali Vidyapith

Questionnaire

Q1. Personal Information
(a) Name & Address: ______________________________

____________________________

____________________________

(b) Age:

c) Educational qualification: _______________

(d) Marital Status: Single □ Married □

e) Gender: Male □ Female □

(f) Annual Income:

(a) <200,000 (b) 200,000-300,000

(c) 300,000-400,000 (d) 400,000>

(g) Total annual saving:

(a) Less than 60000 (a) between 60001 to Rs 120000

(c) Between 120001 to Rs 250000 (d) More than 250000

(h) Occupation:

(a) Business (b) Profession

(c) Agriculture (d) Govt. Service

(e) Private Service (f) Other
Q.2 What kind of investments you have made so far? Please rank your preferences

(1 being the most preferred, 8 being the last preferred)

(a) Saving account ( )
(b) Fixed deposits ( )
(c) Insurance ( )
(d) Mutual Fund ( )
(e) Post Office-NSC, etc ( )
(f) Shares/Debentures ( )
(g) Gold/ Silver ( )
(h) Real Estate ( )

Q.3 what percentage of total investment you have made in mutual fund till now

(a) Less than 25% ( b) 25-50% (c) 50-75% (d) 75-100%

Q.4 while investing your money which factors do you prefer?

(a) Liquidity
(b) Low Risk
(c) High Return
(d) Trust
(e) Tax Savings
(f) Any other specify

Q.5 Years of investment experience

(a) Less Than 2
(b) Between 2 to 5
(c) Between 5 to 10
(d) More than 10
Q.6 According to you mutual fund are
(a) Highly risky  (b) Risky  (c) Average  (d) Low risky  (e) safe

Q.7 which mutual fund sector you mainly prefer?
(a) Private owned mutual fund 
(b) Public owned mutual funds 
(c) Both 
(d) None

Q.8. When you want to invest which type of funds would you choose? Why?
(a) Equity linked saving scheme  (b) Sectoral Mutual funds 
(c) Exchange traded funds  (d) Other mutual fund

Q.9 how would you like to receive the returns every year?
(a) Dividend payout  (b) Dividend re-investment  (c) Growth in NAV

Q.10 which of the options do you use for you for making payments?
(a) Direct Payment  (b) ECS  (c) Executives at your door

Q.11 your investment objective is:
(a) Earn regular income  (b) Safety of capital  (c) Earn capital gain 
(d) Wealth for retirement  (e) other

Q.12 how did you first hear about ETF?
(a) Newspapers/Magazine on ETFs  (b) Other online financial media 
(c) From Morningstar website  (d) From an Advisor 
(e) Friend or Colleague  (f) Other 
(g) ETF provider Ad  (h) TV story on ETFs

Q.13 what are the key reasons for investing in mutual fund? Please rank your preferences
(1 being the most preferred, 5 being the last preferred)

(a) Professional fund manager ( )
(b) Diversified risk ( )
(c) Sound investment strategy ( )
(d) Reshuffling of the portfolio ( )
(e) Ease with which one can enter and exit the fund ( )

Q.14 From where you purchase mutual funds?
(a) Directly from the AMCs
(b) Brokers only
(c) Brokers/sub brokers
(d) Other sources

Q.15 What is Your Criteria for Selecting the Mutual Fund? (Rank in order of preference)
(i) Brand name of fund house ( )
(ii) Total AUM ( )
(iii) Reputation of fund manager ( )
(iv) Product with tax benefits ( )
(v) Fund management fee ( )
(vi) Innovativeness of scheme ( )

Q.16 Which Channel will you prefer while investing in Mutual Fund?
(a) Financial Advisor
(b) Bank
(c) AMC
(d) Any other please specify

Q.17 when you invest in Mutual Funds which mode of investment wills you prefer?

(a) One Time Investment
(b) Systematic Investment Plan

Q.18 Frequency of trading

(a) Once in a month or less
(b) 2-3 times in a month
(c) 1-2 times a week
(d) 3-5 times a week
(e) 6-10 times a week
(f) >10 times a week

Q.19 your satisfaction level regarding returns in mutual fund:

(a) Highly satisfied
(b) Satisfied
(c) Average
(d) Unsatisfied
(e) Highly unsatisfied

Q.20 your satisfaction regarding the promises made by any MF/agent/broker/distributor to an individual before and after the investment:

(a) Highly Satisfied
(b) Satisfied
(c) Average
(d) Unsatisfied
(e) Highly Unsatisfied

Q.21 What according to you is the major deficiency in the working of mutual funds?

(i) Functioning Unclear
(ii) Procedural complexities
(iii) Service dissatisfaction
(iv) Awareness lacking
(v) Any other please specify

Q.22 Are you aware about who regulates Mutual Fund?

   (a) Yes   (b) No
Appendix B

"Growth of Mutual Fund in India and the position of Hedge fund" in Conference on Innovative Financial Practices (CIFPD 2013) at Apeejay School of Management, New Delhi on 09.11.2011
Appendix C

A Study on investor’s perception towards Mutual Fund International Journal of Commerce and Social Science Vol 4, 2014