Table 4.1  **Relationship between the age of investor and factors of investment decision making**

Chi-Square Tests

<table>
<thead>
<tr>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>62.231</td>
<td>15</td>
</tr>
</tbody>
</table>

Table 4.1 revealed that we can reject the null hypothesis and accept the alternative hypothesis which means that a relationship exists between age of an investor and different investment decision making criterions. An investor is sensitive towards the various factors of investment decision making. Risk, Liquidity, Return, Assured Return and Transparency affects an investor differently as one progress in his age. Investors will prefer an investment option that can diversify risk to a great extent and thus reduce the effect of risk as well as can generate greater return and at the same time offer the investors the liberty of keeping the investment in schemes which can be liquidated quickly.

Table 4.2  **Relationship between the age of an investor and seeking professional advice**

Chi-Square Tests

<table>
<thead>
<tr>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>2.076</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 4.2 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between age of an investor and his visiting broker for investment related advice.
Though there is no relationship between the age of an investor and the habit of consulting brokers for investment decision advices, the study revealed that out of 200 investors 178 of them visit brokers either regularly or occasionally which indicates that a proper education of the brokers about individual investment decision making may lead to better investment habits and better investment decisions. Financial markets and investment opportunities are becoming too complex for the average investor to know what to do. With good investment advice from experts, clients can take more informed decisions and make the right investments that are consistent with their goals. Despite the above requirements investors who doesn’t visit a broker or an advisor, is either well informed about the various schemes of investments or it is difficult for him to access a broker at the time of investment or avoids a broker because he is afraid that the broker will push products which earn him more commission or the investor can be reluctant to pay his professional fees.

Table 4.3  Relationship between the schemes of investment and factors of investment decision making

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>89.094</td>
<td>60</td>
<td>.009</td>
</tr>
</tbody>
</table>

Table 4.3 revealed that we can reject the null hypothesis and accept the alternative hypothesis that the schemes of investment chosen by an investor and the factors of investment decision making of an investor are related.
We have already seen that risk, liquidity, return, assured return and transparency as factors of prudent investment decision making affects an investor as his/her age profile changes. Similarly, when a particular investor chooses his investment schemes he is affected by the factors of risk, liquidity, return, assured return and transparency. 66% of the investors who are sensitive to risk have chosen securities which are low on risk. It is worthwhile to mention here that 18% of such investors have chosen equity as their chosen investment scheme whereas only 12% have chosen mutual fund though mutual fund is low on risk when compared to equity as mutual fund has the capacity to diversify and thus reduce risk. 93% of the investors who are sensitive to liquidity have chosen securities which are high to moderate on liquidity. Among investors who are keen for assured return, mutual fund is equally popular with other assured return schemes like post office and PPF schemes.

Table 4.4  **Relationship between the income of an investor and investment**  
Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>9.323</td>
<td>4</td>
<td>.054</td>
</tr>
</tbody>
</table>

Table 4.4 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between age of an investor and his investing habit which can be lump sum or small amounts at regular interval.

The analysis shows that the method of investment does not depend on ones income. 69% of the investors invest regularly in small amounts. A
regular investor never loses as he will average out his cost of purchase. The result shows that most of the investors have a disciplined investment habit.

Table 4.5  **Relationship between the monthly income and age of investor**

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>44.028</td>
<td>12</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 4.5 revealed that we can reject the null hypothesis and accept the alternative hypothesis that the income of an investor and his monthly income are related.

The analysis shows that the monthly income of an investor increases with the increase of his age. The increase in age leads to more work related experience and consequent expertise which leads to firms hiring them with higher pay.

Table 4.6  **Relationship between the monthly income and factors of investment decision making of an investor**

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>17.738</td>
<td>20</td>
<td>.605</td>
</tr>
</tbody>
</table>

Table 4.6 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between
the monthly income of an investor and factors of investment decision making of an investor.

The analysis shows that the monthly income of an investor and factors of investment decision making of an investor are not related. The investment decision making factors of an investor are related to the age of an investor and are more psychological.

Table 4.7 Relationship between the monthly income and investment in mutual funds by investor

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>.341</td>
<td>4</td>
<td>.987</td>
</tr>
</tbody>
</table>

Table 4.7 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between the monthly income of an investor and whether he invests in mutual funds.

The analysis shows that mutual fund as a financial instrument is attractive irrespective of the income of an investor. In case of systematic investment plan one can invest as low as Rs.500 and is thus affordable than other investment options keeping other investment making decision parameters in mind.
Table 4.8  **Relationship between the monthly income and percentage of income invested by investor**  

Chi-Square Tests  

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>288.860</td>
<td>16</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 4.8 revealed that we can reject the null hypothesis and accept the alternative hypothesis that the monthly income of an investor and the percentage of income he invests are related. The analysis shows that the higher one earns higher are the amount invested in various investment options. Persons with more income generally have a higher capacity to invest. A high income earner generally has higher amount of investible fund with him.

Table 4.9  **Relationship between the monthly income and the purpose of investment in mutual funds of an investor**  

Chi-Square Tests  

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>10.570</td>
<td>12</td>
<td>.566</td>
</tr>
</tbody>
</table>

Table 4.9 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between the monthly income of an investor and the purpose for which he invests in mutual funds.

Mutual funds offer two options to the investors. One is regular income which will be in the form of dividends as and when the dividends are
declared by the scheme. Second, the investor does not want to receive any part of profits of the mutual fund before his redemption. This is growth option. The analysis shows that there is no relationship between an investor’s income and his choosing one of the above options. 67% of investors who invest in mutual funds go for regular income from mutual funds irrespective of his income. Though in the growth option we get the benefits of compound return the investors are inclined for regular dividends as they are tax-free in the hands of investors.

Table 4.10 **Relationship between the way of investment and investment in mutual funds**

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>.467</td>
<td>1</td>
<td>.494</td>
</tr>
</tbody>
</table>

Table 4.10 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between the way an investor invests and whether he invests in mutual funds. The analysis shows that 31% of investors who invest in mutual funds do invest lump sum amount of money at a time. It is prudent to invest in small amounts whether he invests in mutual fund or not. In general investment it helps him to average out his cost of purchase. In case of mutual funds also, by investing a fixed amount of rupees at regular intervals, one would end up buying more units of the fund when the price is low and fewer units when the price is high. Thus, the unit holder averages out the fluctuations of the market, without having to monitor prices on a day-to-day basis.
Table 4.11  **Relationship between the age and investment in mutual funds by investor**

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>2.992</td>
<td>3</td>
<td>.393</td>
</tr>
</tbody>
</table>

Table 4.11 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between the age of an investor and whether he invests in mutual funds.

The analysis shows that mutual fund as an instrument of investment is popular among those who invest in mutual fund irrespective of the age of the investor. Mutual fund companies have specific schemes for specific age profile of an investor.

Table 4.12  **Relationship between the age and percentage of income invested by investor**

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>40.823</td>
<td>12</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 4.12 revealed that we can reject the null hypothesis and accept the alternative hypothesis that the age of an investor and the percentage of income he invests are related.

The analysis shows that as one becomes more aged till he retires, his monthly income increases and consequently the amount he is going to invest also increases. One of the reasons can be that with increase in
income, income tax implications also increase leading to more investments. An investor can be into financial planning leading to more investments as ones income raises. He / She can be investing in health security or into children plans or into retirement plans. The percentage of income invested increases from the age of 18-30 years to 30-45 years and then decrease as one reaches the age of retirement. After retirement, 60% of the investors cannot invest more than 10% of their monthly income.

Table 4.13  **Relationship between the age of an investor and reason for not investing in mutual funds**

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>5.162</td>
<td>9</td>
<td>.820</td>
</tr>
</tbody>
</table>

Table 4.13 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between the age an investor and reason for not investing in mutual funds.

The analysis reveals that there is no relationship between the age of an investor and the reason for him not investing in mutual funds. 72% of the investors who avoids the mutual fund instrument do it because they consider it risky for investing.
Table 4.14 **Relationship between the occupation of an investor and seeking professional advice**  
Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>6.997</td>
<td>10</td>
<td>.726</td>
</tr>
</tbody>
</table>

Table 4.14 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between the occupation of an investor and whether he seeks professional advice before investing.

The analysis shows that cutting across different occupations investors visit brokers for financial advices. Big brokers are one stop shop for personalized services. This service usually comes at a cost and is for their clients. Even small brokers welcome retail investors. The investor is not only advised about the choice of investment but the allied paperwork is also taken care of.

Table 4.15 **Relationship between the factors of investment decision making and purpose of investment in mutual funds of an investor**  
Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>27.914</td>
<td>15</td>
<td>.022</td>
</tr>
</tbody>
</table>

Table 4.15 revealed that we can reject the null hypothesis and accept the alternative hypothesis that the factors of investment decision making of
an investor and the purpose for which he invests in mutual funds are related.

The analysis reveals that those investors who are sensitive to risk prefer regular income over growth and capital appreciation. Those who prefer liquidity are nearly indifferent among the two. The investors who opted for overall returns prefer regular income over growth and capital appreciation. An investor can get returns either in the form of dividend or in the form of capital gains when he sells the units at a NAV higher than the NAV at which he bought it. It is likely that the risk sensitive investors are of fear of falling NAV and thus prefers regular dividend than waiting for increase in NAV and consequent growth and capital appreciation. Cutting across the different factors of investment decision making investors prefer regular income from mutual funds because regular income in the form of dividend is not taxable in the hands of the investors. A mutual fund is required to pay tax while distributing dividends to the investors. An important point to note is that not all mutual funds are liable to pay dividend distribution tax. Sale of mutual funds attracts investors’ capital gains tax.

Table 4.16  Relationship between the factors of investment decision making of an investor and investment in mutual funds

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>10.090</td>
<td>5</td>
<td>.073</td>
</tr>
</tbody>
</table>

Table 4.16 revealed that we can accept the null hypothesis and reject the alternative hypothesis which means that there is no relationship between
the factors of investment decision making of an investor and whether he invests in mutual funds.

The analysis shows that the decision of investing in mutual funds is not influenced by the sensitiveness of the investors towards various investment decision making criterions. The main reason is that mutual fund is such an instrument which offers a variety of products suitable for (i) different returns requirements (ii) different risk appetite (iii) different tenures. Various kinds of mutual fund schemes like Equity, Debt etc. can be used in various proportions to make a portfolio having the risk and return attribute tailor made to an investors need. Mutual funds enable flexible options to invest and withdraw funds and thus offer the much required liquidity.

**Investors’ response to criterions they consider before investing**

Using Thurston Case V

<table>
<thead>
<tr>
<th>Criterions</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>1</td>
</tr>
<tr>
<td>Assured Return</td>
<td>2</td>
</tr>
<tr>
<td>Liquidity</td>
<td>3</td>
</tr>
<tr>
<td>Returns</td>
<td>4</td>
</tr>
<tr>
<td>Transparency</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 4.17

Investors are sensitive towards risk closely followed by assured returns with liquidity coming next followed by returns and transparency.

It is evident from Table 4.17 that investors consider risk as the most important factor before investing. So, they tend to avoid investing in
securities which are risky. It is important to mention here that according to brokers; investors do invest in equity instruments also, which is evident, from the rank given to the instrument, when asked to comment about investors’ preferred investing option. One can conclude that investors’ are into investing in financial instruments which are less risky either in its characteristics or its performance. Investors have marginally preferred assured returns over general returns. Liquidity follows assured return. If the investors are looking for assured return they have to compromise on liquidity because instruments giving assured returns are generally less liquid. Transparency of operations comes last. One can realize that for general investors to realize what is transparent technically is very difficult for which we have our institutional guardians.

**Brokers’ response to importance they feel clients would give to different criterions before investing**

Using Thurston Case V

<table>
<thead>
<tr>
<th>Criterions</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>1</td>
</tr>
<tr>
<td>Assured Returns</td>
<td>2</td>
</tr>
<tr>
<td>Liquidity</td>
<td>3</td>
</tr>
<tr>
<td>Returns</td>
<td>4</td>
</tr>
</tbody>
</table>

Table- 4.18

Brokers are of opinion that investors are sensitive towards risk closely followed by assured returns with liquidity coming next followed by returns. Investors are into a judicious trade off between risks and return keeping the exit route open through liquidity.
Brokers are of opinion that investors keep an eye on risk while investing for assured returns (Table 4.18). The quick exit route in case of trouble is to choose instruments with high liquidity and brokers are of view that investors attach more importance to liquidity than assured return. Overall investors are mainly into risk containment, decent return and liquidity among other things. Mutual fund as a financial instrument caters these investors’ requirements to a t.

**Brokers’ response to kinds of mutual funds clients invest the most**

Using Thurston Case V

<table>
<thead>
<tr>
<th>Schemes of Mutual Funds</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid</td>
<td>1</td>
</tr>
<tr>
<td>Income</td>
<td>2</td>
</tr>
<tr>
<td>Equity (other than ELSS)</td>
<td>3</td>
</tr>
<tr>
<td>ELSS</td>
<td>4</td>
</tr>
<tr>
<td>Balanced</td>
<td>5</td>
</tr>
<tr>
<td>Gilt</td>
<td>6</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 4.19

Brokers are of opinion that the investors are more into Debt Funds of the variety of Liquid or Money Market Funds and Income Funds followed by Equity Funds. Balanced Funds comes fifth followed by Gilt Funds which is again a type of Debt Fund.

Liquid funds are preferred mainly because they have emerged as an alternative to banks (Table 4.19). They are ideal for investors seeking low risk investment avenues to park their short term surpluses. The income funds are ideal for conservative investors or those not in positions to take
higher risks, such as retired individuals and also for investors who need some income to supplement their earnings. No wonder it ranks among the top favorite for investors. Equity funds are exposed to higher risks but these funds offer the possibility of superior returns. Equity funds generally are more preferred than ELSS because ELSS comes with a 3-Yr-lock-in condition. Gilt Funds offer marginally lower returns than Income Funds but marginally higher returns than a Liquid Funds. Liquid funds are still preferred because period of investment could be as short as a day.

**Brokers’ response to clients most preferred investment options**

Rank using Thurston Case V

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Fixed Deposits</td>
<td>01</td>
</tr>
<tr>
<td>Insurance Schemes</td>
<td>02</td>
</tr>
<tr>
<td>PPF</td>
<td>03</td>
</tr>
<tr>
<td>Equity</td>
<td>04</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>05</td>
</tr>
<tr>
<td>Post Office Schemes</td>
<td>06</td>
</tr>
<tr>
<td>RBI Securities</td>
<td>07</td>
</tr>
<tr>
<td>GOI Securities</td>
<td>08</td>
</tr>
<tr>
<td>Co. Bonds &amp; Debentures</td>
<td>09</td>
</tr>
</tbody>
</table>

Table 4.20

Ranking shows an inclination for securities which have secured or fixed returns.

Bank deposits score heavily mainly because of the liquidity they offer. In India (Table 4.20), life insurance is viewed more as an investment option
than as a vehicle for risk protection. The psyche shows that the investors are very much unaware that the opportunity costs are significant when compared to other secure investments like PPF. The main characteristic of PPF is that they are government obligation and are virtually risk free. It was one of the best options for small investors but the yield has reduced from 12% to 8% over the years. Equity scores because of the high growth potential it offers and high liquidity through listing in stock exchange. It loses out on the risk factor which is quite high. We have found out in our hypothesis test that investors are most sensitive towards risk and so many avoid equity. Mutual funds has high return, low risk and high liquidity and has the potential to be the best investment instrument considering the sensitivity of an investor towards factors like risk, return, liquidity and transparency. It is the lack of investor awareness which pushes this instrument down. Post office schemes have become less attractive with the advent of PPF which is quite evident from the response. RBI Relief Bonds pay interest at 8% which is taxable unlike PPF but scores heavily on security. For individual investors, although direct investment in government securities is possible, the amount required can be large.

**Fund Managers response to their objective of a Mutual Fund**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth &amp; Appreciation of Capital</td>
<td>1</td>
</tr>
<tr>
<td>Regular Income</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 4.21

Fund managers are more into growth and appreciation of capital of the fund than payment of regular dividend.

Fund managers are looking for growth and appreciation of capital than paying dividend (Table 4.21). The performance of mutual funds is evaluated on the basis of absolute increase or decrease in its NAV relative
to its issue price. When funds pay out dividends, NAV drops by a corresponding amount. That is why the NAV of the growth option is always higher than that of dividend option. Fund managers are skeptical about dropping NAV.

**Analysis of the nature of clients who visits brokers:**

Rank using Thurston Case-V

<table>
<thead>
<tr>
<th>Rank</th>
<th>Financial instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Businessmen</td>
</tr>
<tr>
<td>02</td>
<td>Self employed Professionals</td>
</tr>
<tr>
<td>03</td>
<td>Salaried Corporate Persons</td>
</tr>
<tr>
<td>04</td>
<td>Retired Persons</td>
</tr>
<tr>
<td>05</td>
<td>Salaried non corporate persons</td>
</tr>
</tbody>
</table>

Table 4.22

Profile of investors visiting a broker gives an indication that people with more amount of investible money visit brokers more. Businessmen and Self Employed Professionals namely Doctors, Engineers, Chartered Accountants, Lawyers and Architects generally have more amount of money to invest and therefore may require the services of brokers more. A retired person requires investing his/her retirement benefits in such a way so that they are secured as well as give regular supplement to his earnings. Salaried corporate and non corporate investors are mainly into tax savings.

**Structural Changes in the Mutual Fund industry**

**Fading and revival of Close-ended schemes**

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets under open ended schemes</th>
<th>Assets under close ended schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>December-1996</td>
<td>35000 Crore (50%)</td>
<td>34000 Crore (50%)</td>
</tr>
<tr>
<td>1999-2000</td>
<td>61%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Table 4.23
The increase in asset amount under open ended schemes is mainly because of the convenience of any time entry and exit. Slowly close ended schemes disappeared only to make a comeback on April-2006. The main reason for the gradual disappearance of the Closed Ended Schemes was the impediment an investor faced when he went for liquidating the units (Table 4.23). An investor in an Open Ended Schemes can sell his units to the AMC of the Fund House. An investor in a Close Ended Schemes could sell his units previously only through the Stock Exchange. This was a serious impediment for those who had no real connection with the stock exchange and its operational formalities. Thus, investors of mutual funds started to shy away from the Close Ended Schemes to more investor friendly Open Ended Schemes. The main reason for the coming back of Closed Ended Schemes in and around 2006 was a SEBI guideline. Previous to the guideline the rule was:

i) The initial issue expenses recovered from investors should not exceed 6% of the amount mobilized during the initial issue period or NFO.

ii) In case of a close-end scheme, the initial issue expenses should be amortized on a weekly basis over the period of the scheme.

iii) In case of open-end scheme, the initial issue expenses should be amortized over a maximum period of five years.

The revised guidelines were as following:

i) The Initial Issue Expenses will be permitted for close-end schemes only.

ii) Open-end schemes should meet the sales, marketing and other such expenses connected with sales and distribution of schemes from the entry load and not through initial issue expenses.

This facility of amortization of initial issue expenses led to Close-end Schemes getting popular to different AMC’s. Another important factor which further led to the revival of the Close End Schemes is "buy-back of
fund units” by the concerned AMC. This gave the investors further
liquidity.

**Brand Identity**

<table>
<thead>
<tr>
<th>Brand</th>
<th>Fund House</th>
</tr>
</thead>
<tbody>
<tr>
<td>'Dhan’ Series</td>
<td>LIC Mutual Fund</td>
</tr>
<tr>
<td>'Master’ Series</td>
<td>UTI Mutual Fund</td>
</tr>
<tr>
<td>'Magnum’ Series</td>
<td>SBI Mutual Fund</td>
</tr>
</tbody>
</table>

Table 4.24

Some mutual fund houses uses catch words to relate the product to the
particular fund house.

The use of catch words can be related to the use of jingle by many
companies which remind us of the product whenever we hear the jingle.
Among a jungle of products it is a good way of creating product identity
and thus is being used by LIC, UTI and SBI (Table 4.24).

**Reasons for not Investing in Mutual Funds**

![Figure 4.1](image)

21% of the respondents were not aware about mutual funds and another
7% were unaware about the various schemes of mutual funds. Rest 72%
considers it risky and stay away from it.
28% of the investors who stay away from mutual funds don’t know about Mutual funds and its features in a proper way (Fig 4.1). The findings show a gap in proper education of investors about mutual funds & the various features of mutual funds. 72% are aware but stay away from it considering the instrument to be risky, which shows the improper way the investors are educated. If an investor is aware about the risks involved with investment with mutual funds he should also have been aware of the risk diversifying capacity of the instrument, which they are not. This is mainly because of lack of proper investor education programme.

**Fund Managers response to major marketing problems plaguing the mutual fund industry.**

<table>
<thead>
<tr>
<th>SL No.</th>
<th>Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Transaction through Cheque only.</td>
</tr>
<tr>
<td>2</td>
<td>Investor must have a PAN Card.</td>
</tr>
<tr>
<td>3</td>
<td>Lack of Trained Manpower specially Agents.</td>
</tr>
<tr>
<td>4</td>
<td>Low rate of Commission to Brokers/Agents.</td>
</tr>
</tbody>
</table>

Table 4.25

Fund Managers were asked to mention the major marketing problems. Metro orientation of the mutual fund investors, disallowance of cash as the transaction medium for purchase and sell of mutual fund units, possession of a PAN card to buy mutual fund units, paucity of trained manpower and low rate of commission to brokers/agents are the major marketing problems plaguing the mutual fund industry.
i) Mutual fund transaction is allowed in cheque only and cash as a medium of exchange is not allowed. In most rural areas many people don’t utilize cheque facility when they are doing banking transactions. An investor in LIC can pay his annual premium in cash if he wishes but the same facility is not available in case of mutual funds when the person is buying or selling units of mutual funds. For simple rural investors it is easier to invest in LIC than in Mutual Funds. This is another major reason as to why mutual fund is lagging as a good fund mobilizer (Table 4.25).

ii) Every prospective investor of Mutual Funds must have a PAN card before one can deal in mutual fund units. The holder of a PAN card is a citizen of India who is recognized as an assessee by the Income Tax Department whose income can be assessed. Being recognized by the income tax department acts as an impediment for general people who don’t want to get recognized as a prospective tax payer voluntarily just for the sake of investing in mutual funds. So they stay away from mutual funds (Table 4.25).

iii) Use of agents has been the most widely prevalent practice for distribution of funds over the years. An agent is essentially a broker between a fund and investor. Agents can only act as distributors of mutual funds after passing the certification test for distributors conducted by AMFI. It is worthwhile to mention that mutual fund agents are not exclusive but usually sell other financial products as well. From the perspective of mutual funds themselves, such multi-product distribution means loss of exclusivity in the marketing of their particular products. The hurdle of clearing AMFI examination and the general lack of interest
of Mutual Fund Companies for proper training of agents due to the loss of exclusivity is a major marketing problem (Table 4.25).

iv) An AMC may charge the mutual fund with the i) Marketing and selling expenses including agents’ commission, if any ii) Brokerage and transaction cost along with 11 other annual recurring expenses (Table 4.25). For this 13 type of expenses the maximum limit as per SEBI regulation is the following:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Equity Fund/ Gold Exchange Traded funds</th>
<th>Debt Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 100 Cr</td>
<td>2.50%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Next 300 Cr</td>
<td>2.25%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Next 300 Cr</td>
<td>2.00%</td>
<td>1.75%</td>
</tr>
<tr>
<td>Remaining</td>
<td>1.75%</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

These ceilings are applied on the weekly average net assets of the mutual fund scheme. It is worthwhile to mention that limit applies for the specific fund annual recurring expenses for the nation. If we compare the above with the commission rates of LIC we find:
Table 4.27 Commission Rates of LIC

<table>
<thead>
<tr>
<th>For each policy sold by an agent</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Policy(for 17 years or more)</td>
<td>25% of the premium amount for 1\textsuperscript{st} yr. 15% of the premium amount for 2\textsuperscript{nd} &amp; 3\textsuperscript{rd} yr. 5% of the premium amount for the rest years till policy matures.</td>
</tr>
<tr>
<td>Short Term Policy(less than 17 years)</td>
<td>10% to 15% of the premium amount for 1\textsuperscript{st} yr. 7.5% of the premium amount for 2\textsuperscript{nd} &amp; 3\textsuperscript{rd} yr. 5% of the premium amount for the rest years till policy matures.</td>
</tr>
<tr>
<td>Single Premium(ULIP Type) Policy</td>
<td>2% of the single premium.</td>
</tr>
</tbody>
</table>

So the earnings from commission of an LIC agent is generally much more when compared to a Mutual Fund agent and so a paucity of an army of agents is a big hurdle for scouting of funds.