Chapter-I

INTRODUCTION
1.0. INTRODUCTION

During 90s, there has been a rapid transformation in the financial markets around the globe. In this process, the financial services sector has emerged as one of the leading sector, which has been playing the role of a catalytic agent in the industrial growth of the both developed and developing nations. Concerted efforts have been made by all the nations to make the capital market more vibrant, regulated and market driven with a wide network of innovative financial products and players. The mutual fund has been a popular vehicle of investment in this process of financial transformation during 1990s in most of the developed and developing countries. The growth of mutual funds helped to accelerate the development of the capital market, by indirectly channelling a substantial part of the financial savings of the household sector into equity investment and, at the same time enhanced the awareness about the capital markets among many investors (Mehta, 1997). The changes were effected in the industrial sector, agricultural sector and in service sector. The objective of the government to accelerate economic growth and make the Indian economy internationally competitive depended on the mobilisation of funds from a large number of diversified sources with innovative instruments. Mutual Fund (MF) industry meets the much needed objective of the government to mobilise resources from a large number of individual household sector, and institutional sector and transfer them to the corporate sector via the capital market.

The MF industry in India took its root in 1964 with the formation of UTI. For a long period of about 30 years, UTI enjoyed a virtual monopoly over the MF market. It offered variety of schemes and mobilised huge amount of savings from more than three million household units. However, due to lack of competition UTI could not completely exploit the full market potential. The era of economic liberalisation and globalisation brought about a qualitative transformation in the financial sector environment.

The changes in the global scenario has multiple effect on India’s economic development process. The pace of development has been
very fast with its conceptualization of liberalization, globalization and restructuring of industrial network. As the only goal of the economic development process is to enhance the standard of the living of its citizen by adequately mobilising savings and their optimum deployment in the trade industry and commerce, many changes have been introduced in the past several years.

Spectacular growth of mutual fund has become the trend of the recent times around the world. They are specialized investment institutions which act as investment conduits. They pool the savings of a large number of individual investors and combine them into a fairly large and well-diversified portfolio of investments. The mutual fund industry has witnessed three distinctive stages of its development in India namely, first phase from July, 1964 to November, 1987, phase two from November, 1987 to October 1993, and the third phase from October 1993 onwards (Sadak, 1997). During 1964-86, the UTI was the only player, monitoring the market with introduction of schemes after schemes. But with the amendment of the Banking Regulation Act, during 1986-87, the commercial banks, insurance companies, and in subsequent period, private sector were allowed in the race. In the first phase from 1964 to 1986, the investors entered to the mutual fund industry only through UTI. In the second phase from 1986-92 investors joined the industry without properly understanding the mutual fund mechanism, but due to speculative interest and some assurance by the bank sponsored mutual fund schemes. As the rate of the savings is one of the determinant of the industry, in the successive years, the rate of savings started declining, and this correspondingly influenced investments in mutual fund products. To encourage the further investments in mutual funds and equity related investments, the government provided encouraging measures in its new economic policy package. Tax concessions in many of the government savings schemes were withdrawn, which encouraged the investors to move towards mutual fund investments. It was also observed that investors started investing less in those government instruments and started investing more in MF. In the successive period, the investors, in stead
of speculative return, started expecting more safety, liquidity and profitability of their investment (Rao, 1998).

During the second phase of the operation of the industry i.e. from 1986 to 1992, many investors entered to the industry, not as long term investors, but because they viewed the mutual fund industry as an important vehicle to cater their speculative needs. The environment during the period was very encouraging, when the stock market prices were very high and the capital market was experiencing a boom phase (Dave, 1997). The landmark for the industry was during 1992, when UTI’s Mastergain-1992 entered to the Guinness Book of World Records, because of its mobilisation of funds from six million investors.

In 1993-94, the MF industry was opened to the private sector. This radical step of the government brought a significant and far reaching change in the MF industry. It has resulted in not only expanding the market through the appearance of new players, but also sensitised all the MF players including that of UTI to the new competitive environment.

1.1. THE EMERGING TREND:

Adequate savings mobilisation and efficient deployment of such funds are two important functions of the economic development programme. It is observed that in the last decade from 1990-2000, the rate of savings in the household sector shows a declining trend in terms of percentage. The Public Sector Enterprises continues to suffer losses. Government savings are negative and declining. The corporate savings as proportion of GDP have actually increased, but the household saving has declined (RBI, 2001).

During this period, it is further seen that there has been a worldwide revolution of transformation of the financial markets. The financial services provided by the primary and secondary segments of the capital market, are the important sources of finance for the corporate sector (Rangarajan, 1994). As world wide financial markets are undergoing phenomenal changes, these changes have intensified the lines of
competition by creating several changes and threats to the mutual fund industry. The "Sellers Market" of yesterday is rapidly transforming into the "Buyers Market" of today. The remarkable changes include deregulation of the financial sector, advances in the information technology, growing volume of transactions, availability of most up-to-date infrastructure, globalisation of markets, and above all the growing customer satisfaction (Carter, 1997).

The MF industry occupies a prominent position today in the Indian capital market. One of the important aspects of the growth of the industry is offering a variety of innovative products with quality of services to the Indian investors. The growth of the industry has helped in accelerating the development of the capital market, by channelling a growing part of the financial savings of the household sector to the corporate sector. It has increased the awareness about the capital market among the household individuals. It is experienced that the MF products are increasingly becoming an important part of the household's investment portfolio.

During the later part of the 1990's, the trend reveals that the people have started preferring MF products rather than available traditional savings vehicles of Banks and Indian Postal Department. It is evident from the fact that irrespective of an adverse trend in the industry due to the multiple reasons, the number of the schemes as well as the number of players are going on rising. Even the industry with its distribution network, and communication revolution, has started tapping the overseas segment also (Basu, 1997). Due to a bright prospects of the industry, some leading players have started international collaborations to have an edge over each other when it comes to marketing or investing in foreign markets (Meheta, 1997).

The financial sector in India during the 1990s and in the new millennium is offering tremendous opportunities to players, both domestic and foreign, for mobilising and allocating of savings in optimal manner. The rules of game have been globalised. The appearance of new players, new instruments, new marketing techniques and new types of financial risks have made it mandatory on the part of the MF players, either to innovate and exist
and exist or to perish. The opening of the market to the private sector players in 1994 was a bold step on the part of the government of India. The liberalised measures announced by the SEBI from time to time, the continued dormant position of the capital market for a long period due to the recurring incidence of the scams, and the successive reductions in the risk free interest rate offered by the banking institutions, have created golden opportunities for the MF industry to tap the increasing savings potential of the people.

Throughout the globe, the major institutional channels of savings to the capital market are only through the MF alone. In India during the first and second phase, the MF industry could not came up to the expectations of the investors at the terms of assured return or capital appreciation. The lack of experience in investment management of the portfolios and marketing are largely responsible for the below level performance of most of the MFs. However, almost all the players in the MF industry, have learnt the bitter lessons from the market. In order to bring back the confidence of the investment public, different MF organisations have started offering various innovative schemes keeping in mind the conflicting objectives of different groups of investors vis-à-vis liquidity, safety, profitability, capital appreciation, income maximisation etc.

1.2. FINANCIAL INNOVATIONS

In the present days, the emerging economic environment is recognized as the era of service economy, where allround efforts are being made by the Government to quench the financial hunger of the industrial sector. But the, financial need of the organisation varies from the unit to unit whee the features of the capital market, also, vary from country to country. The Competition has been accepted as the hallmark of the new globalisation environment. The era of financial disintermediation and government interference in the financial sector is slowly disappearing in most of the developed and developing countries of the world. The admission of the FILs and the permission given to financial market players, like pension fund, provident fund, insurance fund and other dedicated funds, are slowly
changing the colour of the capital market. The spirit of the competition among the financial market players encouraging more and more customized financial innovations. MF industry is no exception.

During the 80s and 90s, while the world economy has witnessed various types of financial innovations, the MF industry as an active player in the financial market has also undergone qualitative and quantitative transformation. The withdrawal of the government from the market and absence of any protection from the regulatory agency for different type of risk associated with direct investment in the capital market has forced many investors to route their funds to the capital market via the MF. During the recent days the newspapers are full of advertisements provided by both the public sector and private sector MFs offering different types of innovative products to the investors. From capital market, many MF organisations have also ventured into money market and derivative market. They have accepted the investors as the king of the business.

A close look at the functioning of the MF industry in India brings out some important observations.

❖ The MF industry has not properly tapped the full-saving potential of the public. In spite of increasing purchasing power, there has not been any significant increase in the fund mobilisation by MFs. This may be partly due to absence of effective marketing strategy by the MF players.

❖ Market safety and liquidity for MF schemes have been found to be preferred by a majority of the investors community. The individual investors are becoming more and more choosy because of a wide choice of instruments available in the capital market.

❖ Majority of the investors are preferring more and more traditional financial savings instruments like bank and postal deposits, and insurance policies, due to their safety and assured return. Even though there is slow shift of savings from physical assets to financial assets, but the MF industry has not been able to fully capitalise this trend.

❖ There has been a significant increase in the number of players and instruments available in the MF market. However, in majority of the cases
the features of different instruments are found to be more or less similar. As a result of which, there is a mere switching of customers from one MF to another without any addition of new customers from the traditional instruments to the MF products.

1.3. CHALLENGES TO THE INDUSTRY

The last seven years starting from 1995 to 2002 were not favorable for the mutual fund industry, because of the low market capitalisation reflected in the Net Assets Value (NAV) of mutual funds. Even some unusual incidents, like scams, have affected the sentiments of the capital market. The industry is not growing like in the western counterparts. The mutual fund in some of the developed countries like, USA and UK, has occupied prominent position due to the inherited features of this product. Particularly, the household sector has adopted this vehicle as a better substitute to the available savings instruments. In USA and UK, MF occupies the second position after savings in the commercial banks. But, in India, this concept has not achieved adequate popularity due to lack of proper marketing.

Eventhough the concept of mutual fund was introduced long back, but it could not occupy a good market positioning. It was the year 1986, when the UTI introduced the first growth scheme, the Master Share, which got a good investors support due to a favourable financial climate due to the capital market boom. Soon after its success, the Government of India, made a historical amendment in the Banking Regulation Act, and permitted the commercial banks to enter into this financial service industry. Since then the industry structure has changed.

The Government of India with the help of Securities Exchange Board of India (SEBI) has introduced several regulatory measures to protect the interest of the different parties, both suppliers and users of funds. The entry of other public sector banks into this field and the emphasis on marketing, accelerated the growth of the MF. However, with the entry of private sector, the real marketing of MF was experienced. It was the year
1993, a change in the government policy paved the way for the entry of the private sector MFs and the SEBI’s MF regulations were notified (Mehta, 1997). An arms length relationship, was required between the sponsor of the MF and its other constituencies, namely Assets Management Company and the Board of Trustees or the Trustee Company. MF assets were required to be held by an independent custodian. SEBI also laid down an advertisement code for MF schemes.

The industry at present is facing many problems, which are hampering the real growth of the MF industry. The rate of savings is one of the important determinants of the growth of the MF industry. In India the Gross Domestic Savings as a percentage of GDP is one of the highest in the world and remained well above twenty percent. The household sector contributes substantially to the GDS. But, it is very strange to observe that in spite of decreasing investment in the physical assets by the household individuals, there is no corresponding increase in savings rate in financial assets. Even though the household sector is the largest saver in the economy and the real purchasing power of the households have increased substantially, there is no simultaneous positive impact on the investment on the financial instruments (RBI, 2001).

The Indian Investors are essentially risk averse and are more passive than active. They are not more experienced, but are prepared to invest if attention is given to the safety, profitability and liquidity aspects of the schemes. They need right types of products, which fulfill their investment parameters (Gupta, 1991).

A very important weakness of the MF industry in India is inadequate after sale services to the customers. Providing adequate services to the investors is one of the important aspect of the growth of the industry (Sadak, 1997). They are in need of offerings of a variety of innovative products with quality of services. Services marketing are yet to take its route in India. The technological back-up needed for servicing in large group of customers, are simply lacking with the MF industry. It is very rare to find a
satisfied customer of the MF product in India, excepting some MF promoted by FII.

The poor liquidity and low profitability of most of the MF schemes is another cause of concern for most of the MF products in India (Meheta, 1997). Many investors enter the market when there was a boom in the capital market. With the decline in the market capitalisation and subsequent returns in investment, the MF industry could not provide the assured returns promised to the investors. This has shaken the confidence of the investors on most of the MF schemes. Now, the MF players are facing a challenge to regain the confidence of the investors by re-orienting their marketing strategy and re-purchasing the products to suit them. Again, it is seen that Indian investors are found not properly educated with the basic concept and mechanism of the mutual fund. It has already been experienced that during early 90s, the investors entered to the industry with the decision of the mushrooming financial consultants in a very wrong time, which was at the peak of the boom period. The investors thought that they had the best investment, as they had perceived mutual fund as a speculative instrument. Subsequently many investors invested in MF schemes lost heavily, along with many individuals who invested in some other junk pieces of papers flooded the market during the boom. (Mitra, 1997)

1.4. REVIEW OF LITERATURES

A number of studies have been undertaken in the individual level and institutional level to assess the performance of the mutual funds in the country. Since the MF industry has blossomed only in 1990s in the Indian capital market, there have been very few studies conducted to study the performance of this sector. In this section our purpose is to review some of the available studies undertaken.

L.C.Gupta (1991) conducted a survey of the shareowners. His objectives of the study were to study the growth and profile of the Indian shareowners, to know the investors' share portfolio diversification and size, to study investment experience of the shareowners, to evaluate investors'
preferences, perceptions and intentions and investment experience of the
shareowner, and to examine service and information given to investors. From
the study he observed that share investment has moved up considerably
during 1980-90. A great majority perceives the UTI/MF units as same. Most
of the MF schemes are highly conservative, with about 75-80 per cent
invested in fixed-income securities, enabling the MF organisers to promise
fairly high assured returns. This makes MF industry almost risk-less but it
also means that such MF schemes cease to serve as vehicle for equity
investment.

Despite the image of high safety and a higher return than
bank fixed deposits, UTI/MF schemes have not been as popular among the
lower income groups. UTI/MF schemes appear to be not finely turned to what
household investors need, specially in the middle and lower income category.
Buying from new issues market is more popular than buying from the
secondary market. The standard of services and information being provided
to shareowners in India by companies and stock-brokers, are not only below
world standard but also have a majority of Indian shareowners are
dissatisfied with the services provided to them. Nearly four-fifth of Indian
shareowners was dissatisfied with the working of the present mechanism for
redressal of their grievances. Gupta concluded in his study that debentures
were perceived to be as risky as equity shares and, in contrast, mutual fund
schemes were perceived to be as safe as bank deposits.

The objective of the second round survey of L. C. Gupta
(1993) was to make factual data available on investors preferences and to
deepen the understanding of the securities market development and
problems in India. The area of the focus of the second study related to
mutual fund investors scene in a broad prospective of household assets
preferences and changes therein in 1992 compared to mid 1990. The
findings from the study include many things. MF cult is spreading first. More
than one-fourth of the country's middle class households have became
owners of units/MF products within a short span of two years. By reducing
the risk of equity investment, MF organisations have encouraged the flow of
household savings into equity investment through the MF schemes. Some fallacious beliefs about the importance of certain factors are also exposed. MF schemes are highly versatile and can be tailored to serve almost any investment objective of any age-group. There is need for designing units/MF schemes which can be specially suited for investors residing in small places.

R. S Bhatt (1996) undertook the study to evaluate some important issues concerning to principles, practices and procedures of the UTI and other MFs. He observed that different MFs have been constituted as per the set guidelines of government and studied the constitutional differences, arm's length relationship, fund management needs, infrastructure needs and regulatory restrictions. He also, found that there are no distinguishing features between UTI and other MFs. The progress and growth of the UTI is due to both, of its long existence and some government backing. The MFs have not shown such rapid progress and fulfilled the expectations of unit holders because of lack of experience and expertise in market operations, skills in investment information analysis, research and selection, adequate investor service infrastructure. The researcher suggested that the AMFI may be given self regulatory power with overall supervision by SEBI. Every MF should be free to evolve a scheme it wants to launch. Only general guidelines should be laid down.

Sadak (1997) studied the industry as a whole with the objective of disclosing some facts of marketing of the MF schemes in the future. The study intended to emanate from Indian MFs as important financial intermediaries and asset allocators. He critically examined the recent growth and performance of MFs in India, while identifying the constraints in their development. He observed that marketing is one of the most critical areas of MF operations due to distinctive nature of products and consumers. He observed that efficiency of investment management directly influences marketing operations, where as the efficient management of investment depends on several factors, including securities selection, resource allocation, investment research, and timing. He found that MF in India has been wrongly promoted as an alternative to equity investing, thus creating
very high expectations in the minds of the investors. In a falling market, their expectations have been belied. He found that the introduction and implementation of new regulatory norms have contributed in some measures to market sluggishness as market was initially not able to respond to the regulatory objectives. The absence of product diversification and a confused market situation has been made worse by the absence of an innovative marketing network for MFs. In the light of these findings, he suggested some corrective measures for the sustained growth of the industry. For undertaking a well designed and comprehensive programme of investor education, positive media support is also required. The product range offered by MFs needs to be redesigned keeping in view the short-term, medium-term and long-term changes in the savings and investment markets. The success of MF depends to a great extent on institutionalized efforts. Indian MFs should shift from fund-based marketing to scheme-based marketing to reach specific target groups.

**Sahadevan and Thirpalraju (1997)** studied the MF industry since its inception. They analysed the performance of the MFs of both private sector and Public sector. They observed that the distorted return expectations of the investors only retard the growth of the industry, even though the industry has tremendous potential. The researchers also found that emerging of regulatory measures have started influencing marketing of the MF schemes. This has resulted the application of rules and procedures across the participants uniformly.

**Meheta (1997)** studied the trend of the MF industry. He analysed disclosure norms and regulatory philosophy of SEBI. He concluded that the low market capitalisation reflected in the NAV of MFs and certain incidents in the past affected the industry. He suggested to adopt improved practices. With great disclosures, the confidence of the investors in MF would increase.

**Dave (1997)** observed the emerging trend in the capital market vis-a-vis the MF industry. He evaluated the factors influencing resources mobilisation by funds. Further he analysed the performance of the
Shroff (1997) evaluated the macro-economic management in the post-reforms period, in which he examined the pattern of savings of the individuals and government level, management of the exchange rate, genesis of the liquidity crunch, behaviour of the interest rate, and dilemma in macro economics management. After analysing the MF industry he observed the investors concern for returns. He found out that reach of the fund and the investors education are two factors that affect the growth of the industry. He suggested that the management expenses needs to be controlled to improve the operating performance of the MFs.

Carter (1997), carried on a research study with the objective to know the impact of global trend on MF. He studied the impact of aging of the population growth on cross-border investment, increased complexity of investment strategies and empowerment of individual investors. He concluded that the emerging trend and the increased technological application in all products and services will result in the growth of the demand for MF products.

Palwanker (1997) raised the issues relating to the marketing of MFs. He analysed the investors' needs and market research, product designing, study of macro-environment, timing of launching of funds and their distribution, the type of publicity and advertisement. He concluded that MFs are not only the custodians of the savings of small investors, but also fulfills the dreams of the investors. Developing and executing healthy business practices, adopting a code of conduct, will restore the confidence of the investors.

Mitra (1997) studied the MF industry with the objective to design and launch the statutory minimum target fixed by the SEBI. He observed the perception of the investors on the MF industry as a whole,
scheme-wise and market wise marketing strategy adopted by the MF companies.

Rao (1998) studied the working of the MF organisations in India with the objectives to know the resources mobilisation by the MFs from small and marginal investors from different schemes. He also examined, among other things, the investors requirements, and their social and economic conditions and backgrounds. The findings from his study reveals that the MFs have acted as intermediary in pooling vast resources of investors, and ventures to invest in acquiring shares and debentures on behalf of investors. He observed that the UTI is most popular amongst the investors. A vast majority of the respondents selected closed-ended funds as the number one. Majorities of them strongly agree that the MFs should disclose full information in their annual reports.

Mohapatra (1998) attempted to study the investors' perception on MFs and the development of the industry, its growth and regulatory framework. From the study he observes some important points. The investor's investment decisions are influenced by several promotional measures. Safety, liquidity and profitability have been taken as the measures for comparing the schemes of the organisation. The demographic profiles of the investors have some sort of influence in investment decision making. MFs are highly flexible and can be tailored to serve any investment objective of any age-group. However, most of the MF schemes are not very popular to attract people due to reasons like lack of commitment on the part of the fund managers, absence of high-tax benefits, lack of detailed understanding of the schemes, presence of some sort of risks, gap between promise and performances.

Raju (1999), attempted to measure the household investment preferences, and to measure qualitatively and quantitatively the degree of awareness and perception of urban and rural investors. He finds that a majority of the respondents still have preferences for traditional schemes like term deposits of banks, LIC and NSC. There is a great diversification of investment portfolio with increase in income. MF products
are highly valued by investors belonging to all professional groups. Majority of the urban and rural investors gives high safety ranks for MF products. The investors are influenced in varying degrees by the brand image of different agencies. They themselves can take independent decisions by looking into the advertisements. There are investors from both urban and rural areas. This indicates the market segmentation of the organisations.

There have been, also, different empirical studies analysing the performance of the mutual fund industry and schemes by Barua and Verma (1990), and by Obaidullah and Ganeshan (1991) and Gali (1995).

It is the cross opinion of a cross section of knowledgeable sources that there are indeed serious deficiencies in the marketing efforts of the mutual funds. A review of the selected research studies reveal that a majority of the studies conducted on the MF industry basically relates to their performance and perceptions of investors towards different types of MF schemes. Very few studies have gone into detail in to the marketing aspects of the MF industry, which is so vital for its success. In this background, it is felt that there is need for a detail evaluation of the marketing strategies and policies adopted by different MFs. In the present study it is proposed to examine the various issues related to marketing of MF products by different MF organisations.

1.5. RELEVANCE OF THE STUDY

In a free market economy, financial sector plays an important role. The strength of the financial sector influences the survival, growth and development of different sector of the economy. Research mobilisation and deployment depends on both the institution mechanism and the capital market operation.

The MF industry because of its simplicity of operation and wider reach of the investors class plays a significant role, not only in mobilising idle resources by encouraging savings habits, but also, channellises these resources into the productive sector of the economy. A healthy MF industry will lead to a healthy development of the economy.
Successive financial scams in India have demoralised confidence of both the investing population and investing players. The revival of the economy depends largely on the health and vitality of the financial marketers.

The present study is relevant from other angle also.

1. The savings rate influences the capital market flow to the productive sector. A high rate of savings depends on availability of adequate safety and liquid investment proposals. MFs can play an important role to provide towards increasing the rate of savings by providing adequate number of safe investment proposals.

2. In a competitive marketing environment, where a large number of MF companies are competing with themselves, it is essential that they adopt proper marketing strategies which not only expand and diversify their investors base also sustain their confidence.

3. Innovation is the secret for the success of any player in the free market economy. MFs are no exception. There is a need to find out how and what type of innovations have been brought about by the existing MF players in the areas of products, process and management style.

4. The role of the MF industry varies from economy to economy. In highly developed market, where the investors are educated and knowledgeable, their savings may directly be channeled to the capital market, or may be routed indirectly by MFs. However, in an underdeveloped economy, with a limited number of investment avenues, either in money market or capital market, the MFs may have to play a more important role. In an economy like that of Orissa, where the equity cult as yet not been properly developed, peoples' investment preferences are largely confined to bank and postal deposits etc. In this background, it is pertinent to examine the role of the MFs in mobilising and deploying the savings.

5. Mobilisation and investment pattern of MFs changes from time to time depending on the conditions of the market, guidelines of the regulatory bodies, nature of competition and the domestic and global situations. Some of the studies, which have been referred earlier, were conducted during 90s. A lot of changes have taken place in the operating
environment of the MFs. The entry of FIIs, MFs flooded by private players and foreign institutions, the listing of schemes in stock market, the disclosure norms announced by SEBI etc have completely changed the rules of the games. In this backdrop, it is essential to study how the MFs are adopting new marketing strategies to cope the emerging challenges of the industry.

1.6. RESEARCH DESIGN

The present study is of both explorative as well as descriptive. Accordingly at the planning stage, specific objectives were setup to provide the basis of inquiry. In the light of those objectives, the scope of the study is delimited and the methodology of data collection, sample design, period of study and tools of analysis were decided.

1.7. OBJECTIVES OF THE STUDY:

The present study is undertaken with the following specific objectives.
1. To study the evolution and growth of the MF industry as a component of financial service sector.
2. To review the emerging trend in the marketing of financial services with reference to the MFs.
3. To examine the awareness, adoption, motives and satisfaction of the investors of the mutual funds and other selected instruments.
4. To evaluate the perception of the intermediaries on the adopted marketing strategies by the mutual fund organisations.
5. To investigate the perception of the employees of the mutual fund organisations about adopted marketing in practice.

1.8. SCOPE OF THE STUDY

The present study attempts to evaluate the marketing of mutual fund industry in India. For the purpose, individual investors, intermediaries, and the employees of the mutual funds have been selected.
The study has explored the theoretical aspects of marketing and the emerging trend of the mutual fund industry as a whole. The individual investors' perception has been confined to the state of Orissa only, the intermediaries' perception has been from the different parts of the country, and the employees' perception from the concerned public sector mutual fund organisations.

1.9. DATABASE AND METHODOLOGY

This study is based on both primary and secondary data sources. The secondary data have been collected from different published records of different institutions. Specifically, information about the MFs has been collected from different publications of the government of India, RBI, SEBI, MF organisations, and other financial journals and periodicals. The reports on different studies related to MFs conducted by different research institutions and individual scholars have also been referred to collect the relevant data.

For studying the perceptions of investors, employees of MF organisations, and marketing intermediaries, have been administered different sets of structured questionnaires to different category of the respondents.

1.9.1. PERIOD OF STUDY

A period of 15 years from 1986 to 2001 has been taken up for analysing the perception of the investors, intermediaries, and employees. The reason of taking this period is that during such period the industry has got a quantum growth along with several structural changes in the industry. However, to analyse the growth of the industry, the period has covered since inception to till date.

1.9.2. SAMPLE DESIGN

Three sets of respondents have been selected for this study, viz. 377 household individual investors, 100 intermediaries and 100 employees of the concerned MFs. From the total population of the investors of different schemes including the MF schemes, different segments are taken in to
consideration. To study the urban rural contrast, affecting the investment behaviour, a multi-stage stratification is adopted. Primary stratification consists of investors of the MF and investors of other instruments. In the second stratification, economically backward districts and advanced districts are selected, forming two other major groups. Ten towns have been selected out of which five are the category of advanced districts, and five are in backward districts. It is proposed to include three industrially advanced towns, viz. Cuttack, Bhubaneswar, Rourkela, and five other small towns, viz. Puri, Bhadrak, Balasore, Berhampur and Dhenkanal. In this study respondents were interviewed with the help of three sets of structured questionnaires, by meeting them individually. From these ten districts, twenty villages have been selected on random and ten investros from each village have been interviewed to evaluate their savings behaviour.

1.9.3. TOOLS OF ANALYSIS

The data collected from primary and secondary sources is subjected to statistical treatments. Simple statistical tools like percentages, ratios, cross-tabulation, graphs and chi-square tests have been used. Suitable graphs have been given in respective chapters. The chi-square test has been adopted to examine the association between the demographic variables with the awareness and adoption of the MF schemes and organisations.

1.9.4. LIMITATIONS:

1. The present study is based on data collected from both secondary and primary sources. The secondary sources consists of different publications by the government and private institutions. The limitations normally present in different secondary sources are also present in the present study.

2. The Universe of MF industry is very vast. It is not possible to conduct a census study at the individual scholar level due to paucity of time and money. A sample of 377 individuals has been surveyed to collect the primary information. However, the limitations present in most of the small sample can safely be assumed to be present in the present study. Hence,
one should be careful, while using the findings of the study for his own decision making.

3. The entire survey of investors perception is confined to geographical reason of Orissa alone. It is a known fact that the level of infrastructural development, per-capita income, availability of investment opportunities also affect the investors perception about the MFs. Since Orissa is a comparatively underdeveloped state, it is possible that investors perception about MFs in this state might be different than that of their counterpart in the developed states of India.

4. The study of the perception of the employees of the MF organisations is only confined to public sector MFs. However, the employees of the private sector MFs, because of their attractive perquisites, financial and non-financial, may have a different perceptions about the MFs. This has not been considered in the present study.

5. The collection of primary data have from all three categories of the respondents, are entirely based on a structured questionnaire. This has been done to facilitate editing and analysis of data. No attempt has been made to collect the individual opinions of the respondents about the MFs, which may in some occasions be more valuable than the information collected by us.

1.9.5. CHAPTER PLAN

The entire study is presented in seven chapters including the introduction and conclusion.

1. Introduction and Research Methodology
4. Analysis of Investors' Perception on MFs.
5. Perception of the Marketing Intermediaries.
6. Perceptions of the Employees of the Mutual Funds.
7. Summary of Findings and Conclusion.
REFERENCES


