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Investors Outlook to UTI Mutual Funds

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ABSTRACT

Indian mutual fund has gained a lot of popularity from the past few years. Earlier only UTI enjoyed the monopoly in this industry but with the passage of time many new players entered the market, due to which the UTI monopoly breaks down and the industry faces a severe competition. As the time passes this industry has become a buzz word in the Indian financial system. So it is very important to know the investors' perception about this industry. The present study analyses the mutual fund investments in relation to investor's behavior. Investors' opinion and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, role of financial advisors and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc.

Keywords: Mutual fund, investors perception, investors behavior, investors objectives & challenges Garrett ranking

1. INTRODUCTION

A Mutual Fund (henceforth MF) is an investment tool that allows small investors access to a well-diversified portfolio of equities, bonds and other securities. Each shareholder participates in the gain or loss of the fund. Units are issued and can be redeemed as needed. MF is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus, MF is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.MF industries have already entered into a world of exciting innovative products. These products are now tailor made to suit specific needs of investors. Intensified competition and involvement of private players in the race of MFs have forced professional managers to bring innovation in mutual funds. Thus, mutual funds industry has moved from offering a handful of schemes like equity, debt or balanced funds to liquid, money market, sector specific funds, index funds and gilt edged funds. Besides, recently MFs have also introduced some special specific funds like children plans, education plans, insurance linked plans, and exchange traded funds. The result is that over the time Indian investors have started shifting towards MFs instead of traditional financial avenues. With the entry of private sector funds in 1993, a new era started in the Indian MFs industry giving the Indian investors a wider choice of fund families. In the course of time

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the number of MF houses went on increasing, with many foreign MFs setting up funds in India and also the industry has witnessed several mergers and acquisitions.

2. NEED FOR STUDY

For retail investor who does not have the time and expertise to analyze and invest in stocks and bonds, mutual funds offer a viable investment alternative. This is because mutual funds provide the benefit of cheap access to expensive stocks. Mutual funds diversify the risk of the investor by investing in a basket of assets. A team of professional fund managers manages them within-depth research inputs from investment analysts. Being institutions with good bargaining power in markets, mutual funds have access to crucial corporate information which individual investors cannot access. So the present study has taken up to know the extent of awareness about mutual funds and to analyze the investors' perception towards mutual funds.

3. OBJECTIVES

- To know about the extent of awareness about mutual funds with special reference to UTI Mutual Funds.
- To know about the preferences of investors towards mutual funds with special reference to UTI Mutual Funds.
- To know about the perceptions of investors towards mutual funds with special reference to UTI Mutual Funds.
- To know about the extent of satisfaction of investors towards mutual funds with special reference to UTI Mutual Funds.

4. METHODOLOGY

Research Design selected for this research is descriptive design and the Universe is Tiruvannamalai Town. Data was collected in two ways, i.e., Primary data and Secondary data. The data collection method used for collection of primary data was survey method and the data collection instrument used is structured questionnaire. The sampling technique used is non probability convenience sampling. Sample size is 225 respondents and sampling units include businessmen, Government servants, professional and retired Individuals. The secondary data was collected through journals, magazines, books, company manuals, websites, etc. and various tools used for this paper like Percentage analysis, Garrett ranking method , Mean score, variance.

SAMPLES SELECTION AND DATA COLLECTION

SL. NO	ZONE	QUESTIONNAIRE ISSUED	QUESTIONNAIRE RECEIVED	INCOMPLETE QUESTIONNAIRE	QUESTIONNAIRE WERE USED FOR STUDY
1.	East	75	58	2	56
2.	West	75	62	1	61
3.	North	75	61	3	58
4.	South	75	52	2	50
Total		300	233	8	225

TABLE NO 1

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5. LIMITATIONS OF THE STUDY

- The present study is restricted to UTI Mutual funds in Tiruvannamalai town only.
- As the survey was pertaining to investment attitude of investors, biased information may restrict validity of inference possible.
- The study was constrained by limitations of time.
- The raw data was collected with the help of structured questionnaire technique. Therefore study is bounded by the limitation of this technique

6. REVIEW OF LITERATURE

A Mutual Fund motivates small and big investors to entrust their savings to it so that these are professionally employed ensuring their savings to it so that these are professionally employed ensuring good return. A large number of investors have small savings with them. When small savings are pooled and entrusted to mutual funds then these can be used to buy the chips where regular returns and capital appreciation are ensured (Saraswathi, 2006).

Badla and Garg (2007) observed that most of the schemes outperformed the market and the risk undertaken in the schemes is more than the market risk. Noronha (2007) has evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure for a period April 2002- March 2005. The study found that equity, tax plan and index funds offer diversification and are able to earn better returns as compared to sector specific funds. The study is a commendable work on performance of MFs highlighting the better earning capacity of equity, tax plans and index funds

K. Singh and Jha (2009) conducted a study on awareness & acceptability of MF’s and found that consumers basically prefer MF’s due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The investor’s will also consider various factors before investing in MF’s.

Chen et al. (2011) have tested MFs that engage in tax planning and how do they respond to changes in the capital gains tax rates was investigated. It was found that there was consistency with tax planning by managers of both open-end and closed-end MFs and MF managers may not tax plan like individuals because fund managers have incentives to consider the tax liability of both current and potential investors.

Agapova (2011) has examined the cross-sectional differences among money market mutual funds (MMMFs) in the context of sponsoring fund families and found that flows to family non-MMMFs are negatively related to family MMMF flows, and family non-MMMF cash flow volatility is positively related to family MMMF cash flow volatility. The study has further suggested that fund family investors also use family MMMFs as cash centers by utilizing free asset transfers within the family.

Badrinath & Gubellini (2011) have evaluated the return performance of long-short, market neutral and bear MFs using multi-factor models and a conditional CAPM and revealed that Market-neutral funds provide a down market hedge, but bear funds do not generate the returns that investors hope for their investments.

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7. DATA ANALYSIS AND INTERPRETATION

DEMOGRAPHIC VARIABLE ANALYSIS

DEMOGRAPHIC VARIABLES		NO OF RESPONDENTS	PERCENTAGE
Gender	Male	173	77
	Female	52	23
	Total	**225**	**100**
Age group	20-30	27	12
	31-40	45	20
	Above 40	153	68
	Total	**225**	**100**
Education level	Schooling	72	32
	Under graduate	101	45
	Post graduate	27	12
	Professional degree	25	11
	Total	**225**	**100**
Income level	Less than 5000	14	6
	5000-10000	72	32
	10000-20000	74	33
	Above 20000	65	29
	Total	**225**	**100**

TABLE NO 2

NUMBERS OF PLANS INVESTORS HAVE INVESTED IN MUTUAL FUNDS

NO OF PLANS	NO. OF INVESTORS	PERCENTAGE
Only one	95	42
Two	27	12
Three	22	10
More than Three	81	36
Total	225	100

TABLE NO 3

The table 2 represents that Numbers of plans investors have invested in mutual funds in it is clear that 42% of the respondents have invested in only one plan and 36% of the respondents have invested in more than three plans.12% have invested in two plans and the rest 10% have invested in three plans.

INVESTMENTS IN DIFFERENT TYPES OF FUNDS

TYPE OF FUNDS	NO. OF INVESTORS	PERCENTAGE
Equity	88	39
Income	52	23
Index	22	10
Debt	20	9
Balanced	47	21

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Asset	25	11
Liquid	72	32
Total	225	100

TABLE NO 4

The table 3 shows that investment in different types of funds. 39%Investors invest mainly in Equity funds. And the next preferred type of fund is the Liquid fund with a response from 32% investors. 23% investors have invested in income funds, 10% investors in index funds, 9% investors in debt funds, 21% investors in balanced funds and 11% investors in assets funds.

FREQUENCIES OF INVESTORS MONITORING THE PERFORMANCE OF THEIR INVESTMENT

MONITORING THE FOLLOWING	MONTHLY	QUARTERLY	HALF YEARLY	YEARLY	NEVER	TOTAL
Performance of the fund(NAV)	27	72	108	14	4	225
Risk Factors	16	38	110	50	11	225
Fund Managers profile	5	36	74	65	45	225
Portfolio of securities	27	32	58	81	27	225

TABLE NO 5

The table 4 indicates frequency of investors monitoring the performance of their investment. The Performance of the Fund (NAV), Risk Factors and Fund Managers Profile are mostly looked upon half yearly and The Portfolio of securities is mostly monitored yearly.

RISKS ATTACHED TO THE INVESTMENT

TYPE OF RISK	NO. OF INVESTORS	PERCENTAGE
Volatility	142	63
Interest Rate risk	9	4
Credit rate risk	32	14
Inflation risk	43	19
Total	225	100

TABLE NO 6

The table 5 reveals that risk attached to the investment. 63% of investors feel that Volatility is the main risk attached to their investment, while 19% feel that inflation risk is attached to their investment, 14% feel that Credit rate risk is attached to their investment and 4% feel that interest rate risk is attached to their investment.

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GARRETT RANKING AND SCORING OF FACTORS CONSIDERED BY INVESTORS WHILE INVESTING IN MUTUAL FUNDS

FACTORS	RANKS GARRETT SCORE								TOTAL GARRETT SCORE	RANK
	1 (80)	2 (67)	3 (60)	4 (53)	5 47)	6 (40)	7 (32)	8 (20)		
Expertise	15	22	36	42	58	24	19	9	11534	**IV**
Safety	65	61	41	22	16	9	8	3	14341	**I**
Liquidity	36	45	29	26	17	26	35	11	12192	**III**
Diversification	14	11	35	31	29	36	45	24	10323	**VI**
Tax benefit	42	38	31	36	29	21	15	13	12617	**II**
Regular income	23	21	16	38	45	31	29	22	10944	**V**
Regular savings	17	19	26	18	22	36	45	42	9901	**VII**
High returns	13	8	11	12	9	42	29	101	7923	**VIII**

TABLE NO 7

The table – 6 represents that investors are ranked in different factors are considered in investing in mutual funds. Most of the investors given First rank to the safety of the investment are more important. Investors have given second preference to Tax benefit and given the rank continuously to the following factors Liquidity, Expertise, Regular Income, Diversification, Regular savings and High returns respectively.

LEVEL OF SATISFACTION

LEVEL OF SATISFACTION	HS	S	N	DS	HDS	MST	MSV
Return earned	29	56	83	32	47	729	3.24
Timeliness in annual reports	25	124	70	3	8	845	3.75556
Timeliness in dealings	128	97	0	0	0	1028	4.56889
Rights of unit holders	63	126	36	0	0	927	4.12
Grievance handling	52	117	56	0	0	896	3.98222
Information availability	56	133	36	0	0	920	4.08889
Options available	52	140	34	0	0	922	4.09778
Performance of the Fund	27	81	29	29	29	633	2.81333
Choice Of Schemes	5	36	162	0	0	655	2.91111
Payment Options	29	155	63	0	0	954	4.24
Tax Benefits	32	79	90	25	0	796	3.53778
Risks	0	47	72	101	5	611	2.71556
Diversification	16	110	72	27	0	790	3.51111
Returns Potential	0	32	122	41	30	606	2.69333
Liquidity	20	65	140	0	0	780	3.46667
Expert Guidance	32	81	22	56	34	729	3.24

OVERALL MSV=3.359 **TABLE NO 8**

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The table 7 reveals that the satisfaction level of investors in UTI mutual funds for the timeliness in dealings, rights of unit holders, payment options, information availability and options available for the investment are high whereas the other factors are not very satisfactory. The overall MSV is 3.359 the investors overall satisfaction level is Neutral i.e. either satisfied neither are not satisfied.

8. FINDINGS

Majority of the investors are above 41 years. There are more male investors in UTI Mutual Funds. About 33% of the investor's income lies between Rs.10001-Rs.20000 per month. Majority of the investors are under graduates. Most of the investors have invested in only one plan. Equity Funds are preferred more than the closed-ended schemes The Performance of the Fund (NAV), Risk Factors and Fund Managers Profile are mostly looked upon half yearly Volatility risk is attached to most of the investments. Most of the investors given First rank to the safety of the investment are more important. Investors have given second preference to Tax benefit.

9. SUGGESTIONS

The investors should be given the option of attending investor's education programme once in a month. The information about the products should be revealed exactly to the investors, and they should be advised on the risks attached to them Investors can take their own steps in analyzing the market conditions and can be advised to make a portfolio and investment analysis on their investment. The investors should be given all the information regarding their investment and the benefits or the drawbacks of the investments.

10. CONCLUSION

From the study on "Investors attitude towards UTI Mutual funds", it is found that the investors have a positive attitude towards their investment made in UTI Mutual funds. Majority of the investors prefer Mutual Funds for the returns and feel that it is a safe measure of investment. The investors select the schemes considering the returns earned from them. The preferred schemes and funds are the Equity schemes and Open ended funds. Though the investors are not aware of the risks attached to the investment they have a positive attitude towards the mutual funds. The investors are satisfied with their investment in UTI Mutual Funds. The investors also feel that the annual reports and other publications of the concern help them to analyze the performance of their investment. The organization can educate its investors on the risk and return in order to make their investments more effective. The investor's education programme can be conducted by the organization in order to educate the investors. The study has helped the researcher to gain real time knowledge and has helped to use her analytical skills to analyze the attitude of the investors.

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