

EXECUTIVE SUMMARY

The mutual Fund industry has come a long way since the days of the UTI. The number of mutual funds has also increased over the years. Mutual funds are seen as an avenue for the retail customers to enter the stock market and bonds. They provide the professional competence to the retail investor. In India the retail investor is increasingly seeing mutual fund as an alternative investment avenue to the low-yielding bank deposits. This survey was conducted to know the investors both existing and potential about mutual funds. The sample size was 100, and the total sample was divided between two segments of current and potential Mutual fund investors. The sampling for the study was a convenient sampling.

The survey came out with some interesting findings that show that some customer's were willing to take risk whereas others had the idea to diversifying their portfolio. The groups having different levels of education had a different perception about investment. The level of education had a direct bearing on the investment patterns. The higher the education, the higher was the level of understanding of investment complexities. As such a large number of graduates were found to have invested in mutual fund.

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MAJOR OBJECTIVES:

- To identify the objective of the customer for investing in a mutual fund.
- To know the risk tolerance factors of the customers.
- To know the awareness of mutual fund.

- To know the customer's perception towards mutual fund.

INTRODUCTION

The entry of private players with their foreign partners into the mutual fund business has revolutionized the industry. They brought professional competence and their aggressive marketing has made mutual funds an important part of any individual portfolios in India. As of the recent findings, there are about 31 funds, which manage assets of Rs 1, 04,762 crore (Rs 1,047.62 billion), under 376 schemes

The good performance of the economy and the stock markets in last couple of years contributed to the growth of mutual funds. Low interest rates on bank deposit and tax concessions on some of the schemes also contributed to the growth.

But the penetration of the mutual funds in the retail investor segment is still low compared to the developed world. In India, the size of the industry is just 6% of the GDP, while it is 70% in the US. World over it is around 37%. The contribution from the retail customers to the funds is very low compared to institutions and high net worth individuals. For the growth of industry, active participation of the retail customers is necessary.

Mutual fund is one of the most important types of financial products in existence in the market today. The other major types of financial product offering are insurance, shares, various banks and institutional deposits etc.

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When it comes to a financial product like a mutual fund, emphasis has to be paid not only on its financial aspects like investment outlay and the resulting return cash flow stream but also on how the product is offered to customers, who in this case present the customers. Thus we can say that the customer's response to a mutual fund is not determined only on the basis of its financial aspects (which although are important) but also on how the product is positioned and offered to the customer.

The starting point for any successful marketing is to know the perceptions of the customers for the industry. This provides insights into the customer's behavior and his expectation from the industry players. A proper understanding of the perceptions would definitely benefit the players.

This survey attempts to know the mutual fund customers better. It examines some interesting choices of the retail investing in mutual fund and the risk tolerance levels of investors. The investor's knowledge about mutual funds and what according to investor, the best mutual funds is also analyzed. It is hoped that this survey would go long way in benefiting the mutual fund players.

MUTUAL FUND

- In simple words ,known as pooling the money
- It was introduced in the year 1964
- UTI was the first organization to introduce Mutual Fund
- Mutual fund in a 3 tire system namely
 1. Sponsors
 2. Investors
 3. Asset Management Companies
- Mutual fund schemes are created all sections of the society and for different age group of the investors.
- The main intention of introducing Mutual fund was to mobilize the large amount of funds
- Mutual Fund promise a minimum amount of returns to the investors

CONCEPTUAL BACKGROUND OF STUDY

A Mutual Fund is a trust that pools the savings of a number of customers who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciation realized by the scheme is shared by its unit holders in proportion to the number of units owned by them (pro rata). Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a

diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds. Each Mutual Fund scheme has a defined investment objective and strategy

A mutual fund is the ideal investment vehicle for today's complex and modern financial scenario. Markets for equity shares, bonds and other fixed income instruments, real estate, derivatives and other assets have become mature and information driven. Price changes in these assets are driven by global events occurring in faraway places.

A mutual fund is the answer to all these situations. It appoints professionally qualified and experienced staff that manages each of these functions on a full time basis. The large pool of money collected in the fund allows it to hire such staff at a very low cost to each investor. In effect, the mutual fund vehicle exploits economies of scale in all three areas - research, investments and transaction processing. While the concept of individuals coming together to invest money collectively is not new, the mutual fund in its present form is a 20th century phenomenon. In fact, mutual funds gained popularity only after the Second World War. Globally, there are thousands of firms offering tens of thousands of mutual funds with different investment objectives. Today, mutual funds collectively manage almost as much as or more money as compared to banks.

A draft offer document is to be prepared at the time of launching the fund. Typically, it pre specifies the investment objectives of the fund, the risk associated, the costs involved in the process and the broad rules for entry into and exit from the fund and other areas of operation. In India, as in most countries, these sponsors need approval from a regulator, SEBI (Securities exchange Board of India) in our case. SEBI looks at track records of the sponsor and its financial strength in granting approval to the fund for commencing operations.

A sponsor then hires an asset management company to invest the funds according to the investment objective. It also hires another entity to be the custodian of the assets of the fund and perhaps a third one to handle registry work for the unit holders (subscribers) of the fund.

In the Indian context, the sponsors promote the Asset Management Company also, in which it holds a majority stake. In many cases a sponsor can hold a 100% stake in the Asset Management Company (AMC). E.g. Birla Global Finance is the sponsor of the Birla Sun Life Asset Management Company Ltd., which has floated different mutual funds schemes and also acts as an asset manager for the funds collected under the scheme

STRUCTURE OF A MUTUAL FUND

FUND SPONSORS

A sponsor is a person who, acting alone or in combination with other another body corporate, establishes a mutual fund. The sponsor of the fund is similar to the promoter of the company .In accordance with SEBI regulations, the sponsor forms a trust and appoints aboard of trustees and also generally appoints an AMC as fund manager .In addition, and the sponsor also appoints the custodian to hold the fund assets. The sponsor must contribute at least 40% of the net worth of AMC and posses a sound financial track record over 5 years prior to registration.

TRUSTEES

The mutual fund or the trust can either be managed by the board of trustees .The trustee being the primary guardians of the unit holder's fund and assets, a trustee

has to be a person of high repute and integrity. The trustees, however, do not directly manage the portfolio of securities. The portfolio is managed by the AMC as per the defined objectives, in accordance with trust deed and SEBI regulations

ASSET MANAGEMENT COMPANY

The AMC, which is appointed by the sponsor or the trustees and approved by SEBI, act like the investment manager of the trust. The AMC functions under the supervision of its own board of directors, and also under the direction of the trustees and the SEBI.AMC ,in the name of trust ,floats and manages the different investment schemes as per SEBI regulations and as per the investment management agreement signed with the trustees

Apart from these, the mutual fund ha some other fund constituents, such as custodians and depositories, banks, transfer agents and distributors. The custodian is appointed for a safe keeping of securities and participating in the clearing through approved depository .The bankers handle the financial dealing of fund .AMC's appoint distributors or brokers who sell units on behalf of the fund, and also serve as investment advisors. Besides broker, independent individuals are also appointed as agents for the purpose of selling fund to investors. The regulations arm's length relationship between the fund sponsors, trustees, custodians and AMC

TYPES OF MUTUAL FUNDS

It may be classified on the basis of its structure and its investment objective

BY STRUCTURE:

A. OPEN-ENDED FUNDS

An open-end fund is one that is available for subscription all through the year. These do not have a fixed maturity. Investors can conveniently buy and sell units at Net Asset Value ("NAV") related prices. The key feature of open-end schemes is liquidity.

B. CLOSED-ENDED FUNDS

A closed-end fund has a stipulated maturity period which generally ranging from 3 to 15 years. The fund is open for subscription only during a specified period. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where they are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the Mutual Fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor.

C. INTERVAL FUNDS

Interval funds combine the features of open-ended and close-ended schemes. They are open for sale or redemption during pre-determined intervals at NAV related prices.

BY INVESTMENT OBJECTIVE:

A. EQUITY FUNDS

AGGRESSIVE GROWTH FUND

These funds seek maximum growth of capital with secondary emphasis on dividend or interest income. They invest in common stocks with a high potential for rapid growth and capital appreciation.

Because they invest in stocks which can experience wide swings up or down, these funds have a relatively low stability of principal. They often invest in the stocks of small emerging growth companies and generally provide low current income because these companies usually reinvest their profits in their businesses and pay small dividends, if any. Aggressive growth funds generally incur higher risks than growth funds in an effort to secure more pronounced growth. These funds may invest in a broad range of industries or concentrate on one or more industry sectors. Some use borrowing, short-selling, options and other speculative strategies to leverage their results

GROWTH FUND

Generally invest in stocks for growth rather than current income.

Growth funds are more likely to invest in well-established companies where the company itself and the industry in which it operates are thought to have good long-term growth potential.

Growth funds provide low current income, but the investor's principal is more stable than it would be in an aggressive growth fund. While the growth potential may be less over the short term, many growth funds have superior long-term performance records. They are less likely than aggressive growth funds to invest in smaller companies which may provide short-term substantial gains at the risk of substantial declines

GROWTH AND INCOME FUNDS

Growth and income funds seek long-term growth of capital as well as current income. The investment strategies used to reach these goals vary among funds. Some invest in a dual portfolio consisting of growth stocks and income stocks, or a combination of growth stocks, stocks paying high dividends, preferred stocks, convertible securities or fixed-income securities such as corporate bonds and money market instruments. Others may invest in growth stocks and earn current income by selling covered call options on their portfolio stocks.

B. FIXED INCOME FUNDS

The goal of fixed income funds is to provide high current income consistent with the preservation of capital. Growth of capital is of secondary importance.

Income funds that invest primarily in common stocks are classified as equity income funds those that invest primarily in bonds and preferred stocks are classified as fixed-income funds. These funds invest in corporate bonds or government-backed mortgage securities that have a fixed rate of return.

Since bond prices fluctuate with changing interest rates, there is some risk involved despite the fund's conservative nature. When interest rates rise, the market price of fixed-income securities declines and so will the value of the income funds' investments. Conversely, in periods of declining interest rates, the value of fixed-income funds will rise and investors will enjoy capital appreciation as well as income.

Fixed-income funds offer a higher level of current income than money market funds, but a lower stability of principal. They are generally more stable in price than funds that invest in stocks. Within the fixed-income category, funds vary greatly in their stability of principal and in their dividend yields. High-yield funds, which seek to maximize yield by investing in lower-rated bonds of longer maturities, entail less stability of principal than fixed-income funds that invest in.

C. MONEY MARKET FUNDS

The aim of money market funds is to provide easy liquidity, preservation of capital and moderate income. These schemes generally invest in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money. Returns on these schemes may fluctuate depending upon the interest rates prevailing in the market. These are ideal for Corporate and individual investors as a means to park their surplus funds for short periods.

LOAD FUNDS

A Load Fund is one that charges a commission for entry or exit. That is, each time you buy or sell units in the fund, a commission will be payable. Typically entry and exit loads range from 1% to 2%. It could be worth paying the load, if the fund has a good performance history.

NO-LOAD FUNDS

A No-Load Fund is one that does not charge a commission for entry or exit. That is, no commission is payable on purchase or sale of units in the fund. The advantage of a no load fund is that the entire corpus is put to work.

FLOATERS FUND

The concept behind floater fund is explained as follows

The face value of a debenture is the value which is stated on the face of the debenture. The face value represents the money which the company has

actually borrowed from the investors and which it promises to repay at the time of redemption of debentures

Market value on the other hand is that value at which the debenture can be sold or purchased in the market place.

There can be three scenarios when market value is compared with face value, viz

1. Market value greater than the face value i.e. at premium
2. Market value is equal to the face value i.e. at par
3. Market value lesser than the face value i.e. at discount

Let us now consider a numerical example.

Face value of a debenture (x) is Rs 1000 and the interest on that debenture is 8% per annum which is nothing but the coupon rate. Here the interest amount you get is Rs80.

The current scenario was giving you 8% per annum. Let's now consider a future scenario wherein the market interest rate changes to 7% instead of 8% per annum.

However, the interest rate for the debentures x which was already issued in the past remains fixed at 8% and the interest amount continues to be Rs 80.

Now a new debenture (y) is issued with the same face value of Rs 1000 but due to a change in the interest rate from 8% to 7% the coupon amount will be Rs 70 instead of Rs 80

The market value of a security is directly related to the cash flows resulting from its ownership. Hence the market value of a security whose cash flow (coupon) is higher than that of another comparable security will be higher than the market value of the lower coupon yielding security.

The question comes as to: what will happen if the investor of the current scenario sells his debentures to another investor. If he sells his debentures of Rs1000 at the same rate he bought it for, he is going to incur a loss as the market interest rate has decreased from 8% to 7%. The investor who is purchasing the current scenario debenture would benefit since he is getting the debenture for Rs1000 and at a higher interest rate of 8% per annum.

In order to determine the market value of the debenture X we will hence capitalize its yearly cash flow which is simply its coupon of Rs 80 at the current market interest rate of 7%. Hence the market value is $80/.07 = \text{Rs}1143$.

Therefore the current scenario investor would sell his debenture for Rs1143 instead of Rs 1000 at the same interest rate of 8% per annum. By doing this he is going with the market value and also selling his debenture at a premium.

To summarize, a debenture will trade at a premium when the coupon rate of the debenture is greater than the current market interest rate.

A debenture will trade at par when the coupon rate of the debenture is equal to current market interest rate.

A debenture will trade at a discount when the coupon rate of the debenture is less than the current market interest rate

As per the example above, suppose if the face value of the debenture remain the same and the market interest rate on the debenture increases from 8% to 9% per annum.

In that case the interest received on a new debenture of Rs 1000 will be Rs 90, now if the current investor has to sell the debenture he will have to sell his debenture for a discount, since the market rate is at 95 per annum.

The market value of the previously issued debenture X is simply Rs 80 coupon capitalized at increased market rate at 9%. This is $80/0.09 = 889$

Therefore the current investor would be selling his debenture for Rs889 rather than for Rs1000. Therefore debenture is sold for a discount.

This effect of changes in the market interest rate on the market value of a debenture is called the interest rate risk.

A floating rate debenture is one whose coupon rate changes in accordance with changes in the market interest rate. Thus coupon rate of a debenture will always be equal to the market interest rate.

Therefore market value of the debenture will always be equal to the face value i.e., at par. Hence the interest rate risk is eliminated.

A floater fund invests in debenture which has a floating rate of interest. The floating interest rate is fixed on to a benchmark rate such as the LONDON INTER BANK OFFER RATE which is known as LIBOR and also the BANK RATE. These LIBOR or the BANK RATE is taken to eliminate the interest rate risk.

The following interest rate is expressed as: Benchmark rate +X basis points

E.G. LIBOR +2%

OR

BANK RATE +4%

2% is nothing but 200 basis points

4% is nothing but 400 basis points.

Since the interest rate received on the debentures varies with the changes in the market rate, interest rate risk is eliminated. This is because the benchmark rate keeps changing to the changes in the market. If there is an increase in the market interest rates, the benchmark rate also increases and if the market interest rate decreases the benchmark rate also declines. Hence interest rate risk totally eliminated barring for the time lag between changes two review periods of the floating rate security.

Interest rate risks both beneficial as well as harmful .It is beneficial in a situation of decreasing interest rates whereas it is harmful in situation of increasing interest rates.

The spectra of increasing the interest rates are presently there in India today. Therefore floaters fund is launched in India as an innovation so as to eliminate the interest rate risk.

OTHER SCHEMES:

TAX SAVING SCHEMES

These schemes offer tax rebates to the investors under specific provisions of the Indian Income Tax laws as the Government offers tax incentives for investment in specified avenues. Investments made in Equity Linked Savings Schemes (ELSS) and Pension Schemes are allowed as deduction u/s 88 of the Income Tax Act, 1961. The Act also provides opportunities to investors to save capital gains u/s 54EA and 54EB by investing in Mutual Funds, provided the capital asset has been sold prior to April 1, 2000 and the amount is invested before September 30, 2000.

SPECIAL SCHEMES

- **INDUSTRY SPECIFIC SCHEMES**

Industry Specific Schemes invest only in the industries specified in the offer document. The investment of these funds is limited to specific industries like InfoTech, FMCG, and Pharmaceuticals etc.

- **INDEX SCHEMES**

Index Funds attempt to replicate the performance of a particular index such as the BSE Sensex or the NSE 50

SECTORAL SCHEMES

Sectoral Funds are those, which invest exclusively in a specified industry or a group of industries or various segments such as 'A' Group shares or initial public offerings

ADVANTAGES OF MUTUAL FUNDS

The advantages of investing in a Mutual Funds are:

- **Diversification:** The best mutual funds design their portfolios so individual investments will react differently to the same economic conditions. For example, economic conditions like a rise in interest rates may cause certain securities in a diversified portfolio to decrease in value. Other securities in the portfolio will respond to the same economic conditions by increasing in value. When a portfolio is balanced in this way, the value of the overall portfolio should gradually increase over time, even if some securities lose value.
- **Professional Management:** Most mutual funds pay topflight professionals to manage their investments. These managers decide what securities the fund will buy and sell.
- **Regulatory oversight:** Mutual funds are subject to many government regulations that protect investors from fraud.
- **Liquidity:** It's easy to get your money out of a mutual fund. Write a check, make a call, and you've got the cash.

- **Convenience:** You can usually buy mutual fund shares by mail, phone, or over the Internet.
- **Low cost:** Mutual fund expenses are often no more than 1.5 percent of your investment. Expenses for Index Funds are less than that, because index funds are not actively managed. Instead, they automatically buy stock in companies that are listed on a specific index
- Transparency
- Flexibility
- Choice of schemes
- Tax benefits

DRAWBACKS OF MUTUAL FUND

- **No Guarantees:** No investment is risk free. If the entire stock market declines in value, the value of mutual fund shares will go down as well, no matter how balanced the portfolio. Investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their own. However, anyone who invests through a mutual fund runs the risk of losing money.
- **Fees and commissions:** All funds charge administrative fees to cover their day-to-day expenses. Some funds also charge sales commissions or "loads" to compensate brokers, financial consultants, or financial planners. Even if you don't use a broker or other financial adviser, you will pay a sales commission if you buy shares in a Load Fund.
- **Taxes:** During a typical year, most actively managed mutual funds sell anywhere from 20 to 70 percent of the securities in their portfolios. If your

fund makes a profit on its sales, you will pay taxes on the income you receive, even if you reinvest the money you made.

- **Management risk:** When you invest in a mutual fund, you depend on the fund's manager to make the right decisions regarding the fund's portfolio. If the manager does not perform as well as you had hoped, you might not make as much money your investment as you expected.

RESEARCH DESIGN

A mutual Fund is a pure intermediary which performs a basic function of buying and selling on behalf of its unit holders, which the latter also can perform but not as easily, conveniently, economically and profitably. The investors in the Mutual fund are given the share in its total funds which is proportionate to their investments, and which is evidenced by the unit certificates. One of the major features of the operations of this kind of organization is that the financial claims it issues is formally almost identical with the major asset it holds, Unlike other financial institutions, whose liabilities and assets differ sharply in their nature, unit trust issues claims which have, like its assets claim on a proportionate part of the portfolio. However unlike shareholders in a company, the share holders in a Mutual fund do not have any voting rights.

STATEMENT OF THE PROBLEM

To determine the perception of Customer towards investing in Mutual Fund. The last five years mutual funds have been doing well. The ICICI is one of the major players in this field. The study was conducted to know about the factors affecting investing decision of customers in various schemes of Mutual Fund

OBJECTIVE OF THE STUDY

The specific objectives with regard to investors' perception survey are

- Identify the risk tolerance factors of customers.
- To know the objective of the customers for investing in mutual fund.
- To know the awareness of mutual fund.
- To know the customer's perception towards mutual fund.

Research simply means a search for facts - answer to question and solution to problems. It is a purposive investigation. It seeks to find explanation to unexplained phenomenon, to clarify the doubtful facts and to correct the misconceived facts. The encyclopedia of social science defines research as "the manipulation of generalizing to expand, correct or verify knowledge".

Research design is the detailed blue print used to guide a research towards its objectives. This is a part of marketing research. Marketing

research is systematic design, collection, analysis and reporting data and finding relevant to a specific Problem.

The research design employed for the purpose of the study was directive in nature and a sample survey was conducted for the purpose of the generation

METHODOLOGY OF RESEARCH

Primary and secondary data gathering methods are used for the study. Using random sampling technique, sample investors were selected and they formed the subject for the study. Information was collected through questionnaires

SAMPLE DESIGN

Data collected from Mutual Fund Investors and Potential Investors from the different locations in Bangalore

SAMPLE SIZE

The sample size chosen were:

Potential customers -50

Existing customers -50

The sample size of 100 was selected to provide adequate coverage to both the groups namely Existing and Potential. Analysis was done using

- Percentage
- Graphs
- Pie charts

SAMPLING METHOD

A survey was conducted to collect information regarding preparation of investor about their financial planning.

A convenience random sampling method was done from different localities in Bangalore. The secondary data was collected from magazines, internet.

SOURCES OF DATA

The Methodology is based upon the collection of data

There are mainly two types of data

- Primary Data
- Secondary Data

PRIMARY DATA

The data are collected from the discussion with Mutual Fund customers, Potential customers and others.

SECONDARY DATA

The data are collected from Internet, journals, financial magazines etc.

TOOLS FOR DATA COLLECTION

Questionnaire was prepared and distributed to investors. Questionnaire is about Customers perception towards Mutual Funds. Questionnaire is divided into 3 parts for

- General Information
- Existing Customers
- Potential Customers

LIMITATIONS OF THE STUDY

The number of respondents for the interview through survey was restricted to 100 because of time constraints

1. The study is confined to Bangalore City only
2. The respondents were reluctant to give some personal financial information like monthly income, savings and other details. Thus they may not reveal the truth during filling the questionnaire.
3. In study of this kind, as the information has to be drawn on opinion, there is bound to be inaccuracy to subjective factors.

CHAPTER SCHEME

1. Introduction
2. Research Design
3. Industry Profile
4. Data Analysis and Interpretation
5. Summary of Findings and conclusion
6. Suggestion

Bibliography

Annexure

COMPANY PROFILE

Prudential ICICI:

Prudential ICICI Asset Management Company, a joint venture between Prudential Plc, UK's leading insurance company and ICICI Bank Ltd, India's premier financial institution.

The joint venture was formed with the key objective of providing the Indian investor mutual fund products to suit a variety of investment needs. The AMC has already launched a variety of products to suit different risk and maturity profiles.

Prudential ICICI Asset Management Company Ltd. has a net worth of about Rs. 69.89 Crore as of March 31, 2003. Both Prudential and ICICI Bank Ltd. have a strategic long term commitment to the rapidly expanding financial services sector in India. Asset under Management as on July 31, 2005 are 15,945.29 crore with no. of funds managed being 245.

ICICI BANK OVERVIEW:

- Setup by the ICICI Ltd. and SCICI Ltd. in the year 1994
- Largest private sector bank in India in terms of assets.
- Second Indian company to get listed on NYSE (New York Stock Exchange).
- Asset base of about 115000 crore
- Govt. holding (Through LIC, UTI, GIC etc.) 20%
- Foreign holding 63%
- 30% of the liability to be maintained in the form of SLR and CRR additional safety cushion .
- Stringent RBI regulations – for better control.

The major parameter that distinguishes the private banks from the nationalized banks in the industry is the level and the quality of services that is offered to the customer. The focus in these banks is the customer satisfaction - understanding the needs and consequently delighting the customer with various benefits and a wide range of products and services which suit the needs of the individual or the corporate. Today the private sector banks corner almost 4 % share of the total share of the deposits.

ICICI Bank was originally promoted in 1994 by ICICI Ltd., an Indian financial institution, and was it wholly owned by subsidiary. ICICI was formed in 1955 at the initiative of the World Bank, of the Govt. Of India and representatives of the Indian industry.

The industry has over 550 schemes in equity, debt, gilt and balanced funds offered by 36 fund houses etc. They include Prudential ICICI, HDFC, Franklin Templeton, Birla Sunlife mutual fund.

Prudential ICICI is the largest operating private sector in the mutual fund industry followed by HDFC mutual fund after it took over Zurich India mutual funds.

The share of private player in the mutual fund industry has gone up steadily. Prudential ICICI is poised to overtake UTI asset management in terms of assets under management (AUM). It is having the assets of Rs.12637 Crores as against UTI.

HISTORY OF INDIAN MUTUAL FUND INDUSTRY

The history of mutual funds in India can be broadly divided into four distinct phases

FIRST PHASE – 1964-87

Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6, 700 crores of assets under management

SECOND PHASE – 1987-1993 (ENTRY OF PUBLIC SECTOR FUNDS)

1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 followed by Can bank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990. At the end of 1993, the mutual fund industry had assets under management of Rs.47, 004 crores

THIRD PHASE – 1993-2003 (ENTRY OF PRIVATE SECTOR FUNDS)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1, 21,805 crores.

The Unit Trust of India with Rs.44,541 crores of assets under management was way ahead of other mutual funds

FOURTH PHASE – SINCE FEBRUARY 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29, 835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by

Government of India and does not come under the purview of the Mutual Fund Regulations

The UTI Mutual Fund Ltd, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. As at the end of September, 2004, there were 29 funds, which manage assets of Rs.153108 crores under 421 schemes

The Indian mutual fund industry is dominated by the Unit Trust of India which has a total corpus of Rs700bn collected from more than 20 million investors. The UTI has many funds/schemes in all categories i.e. equity, balanced, income etc with some being open-ended and some being closed-ended. The Unit Scheme 1964 commonly referred to as US 64, which is a balanced fund, is the biggest scheme with a corpus of about Rs200bn. UTI was floated by financial institutions and is governed by a special act of Parliament. Most of its investors believe that the UTI is government owned and controlled, which, while legally incorrect, is true for all practical purposes.

The second largest category of mutual funds is the ones floated by nationalized banks. Canbank Asset Management floated by Canara Bank and SBI Funds Management floated by the State Bank of India are the largest of these. GIC AMC floated by General Insurance Corporation and Jeevan Bima Sahayog AMC floated by the LIC are some of the other prominent ones. The aggregate corpus of funds managed by this category of AMCs is about Rs150bn.

The third largest categories of mutual funds are the ones floated by the private sector and by foreign asset management companies. The largest of these are Prudential ICICI AMC and Birla Sun Life AMC. The aggregate corpus of assets managed by this category of AMCs is in excess of Rs250b

SOME OF THE AMCS OPERATING CURRENTLY ARE:

Name of the AMC	Nature of ownership
Alliance Capital Asset Management (I) Private Limited	Private foreign
Birla Sun Life Asset Management Company Limited	Private Indian
Bank of Baroda Asset Management Company Limited	Banks
Bank of India Asset Management Company Limited	Banks
Canbank Investment Management Services Limited	Banks
Prudential ICICI	Private Indian
Cholamandalam Cazenove Asset Management Company Limited	Private foreign
Dundee Asset Management Company Limited	Private foreign
DSP Merrill Lynch Asset Management Company Limited	Private foreign
Escorts Asset Management Limited	Private Indian
First India Asset Management Limited	Private Indian
GIC Asset Management Company Limited	Institutions
IDBI Investment Management Company Limited	Institutions
Indfund Management Limited	Banks
ING Investment Asset Management Company Private Limited	Private foreign

J M Capital Management Limited	Private Indian
Jardine Fleming (I) Asset Management Limited	Private foreign
Kotak Mahindra Asset Management Company Limited	Private Indian
Kothari Pioneer Asset Management Company Limited	Private Indian
Jeevan Bima Sahayog Asset Management Company Ltd	Institutions
Morgan Stanley Asset Management Company Private Ltd.	Private foreign
Punjab National Bank Asset Management Company Ltd.	Banks
Reliance Capital Asset Management Company Limited	Private Indian
State Bank of India Funds Management Limited	Banks
Shriram Asset Management Company Limited	Private Indian
Sun F and C Asset Management (I) Private Limited	Private foreign
Sundaram Newton Asset Management Company Limited	Private foreign
Tata Asset Management Company Limited	Private Indian
Templeton Asset Management (India) Private Limited	Private foreign
Unit Trust of India	Institutions

RECENT TRENDS IN MUTUAL FUND INDUSTRY

The most important trend in the mutual fund industry is the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by nationalized banks and smaller private sector players.

Many nationalized banks got into the mutual fund business in the early nineties and got off to a good start due to the stock market boom prevailing then. These banks did not really understand the mutual fund business and they just viewed it as another kind of banking activity. Few hired specialized staff and

generally chose to transfer staff from the parent organizations. The performance of most of the schemes floated by these funds was not good. Some schemes had offered guaranteed returns and their parent organizations had to bail out these AMCs by paying large amounts of money as the difference between the guaranteed and actual returns. The service levels were also very bad. Most of these AMCs have not been able to retain staff, float new schemes etc. and it is doubtful whether, barring a few exceptions, they have serious plans of continuing the activity in a major way.

The experience of some of the AMCs floated by private sector Indian companies was also very similar. They quickly realized that the AMC business is a business, which makes money in the long term and requires deep-pocketed support in the intermediate years. Some have sold out to foreign owned companies, some have merged with others and there is general restructuring going on.

The foreign owned companies have deep pockets and have come in here with the expectation of a long haul. They can be credited with introducing many new practices such as new product innovation, sharp improvement in service standards and disclosure, usage of technology, broker education and support etc. In fact, they have forced the industry to upgrade itself and service levels of organizations like UTI have improved dramatically in the last few years in response to the competition provided by these.

SOME FACTS FOR THE GROWTH OF MUTUAL FUNDS IN INDIA

- 100% growth in the last 6 years.
- Entrance of foreign AMCs in Indian market.
- Our saving rate is over 23%, highest in the world. Only channelizing these savings in mutual funds sector is required.
- We have approximately 29 mutual funds which is much less than US having more than 800. There is a big scope for expansion.
- 'B' and 'C' class cities are growing rapidly. Today most of the mutual funds are concentrating on the 'A' class cities. Soon they will find scope in the growing cities.
- Mutual fund can penetrate rural like the Indian insurance industry with simple and limited products.
- SEBI allowing the MF's to launch commodity mutual funds.
- Emphasis on better corporate governance.

INVESTOR PERCEPTION ANALYSIS

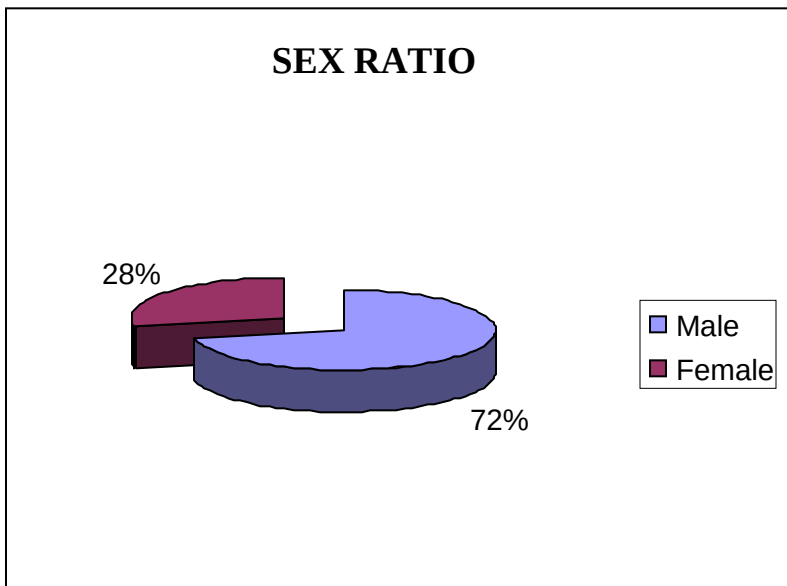
1. RESPONDENT'S GENDER

I. TABLE SHOWING RESPONDENT'S GENDER

Particulars	No of respondents	Percentage
Male	72	72%
Female	28	28%
Total	100	100

Source: Questionnaire

I. CHART SHOWING RESPONDENT'S GENDER



Source: Questionnaire

Analysis

The sample group was weighted towards the male sex. This because in a conservative country like India even though the lady of the house may be working, the investment decisions are considered as male prerogative. It is the man of the house who generally takes investment decisions for the entire family. Therefore around 72% of the respondents were males and the rest 3% were females

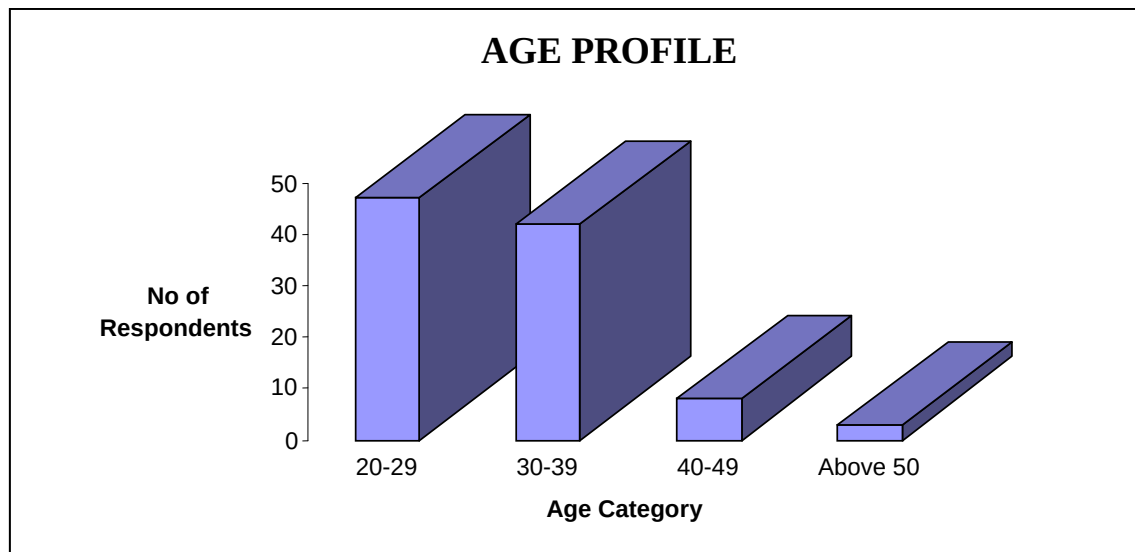
2. RESPONDENT'S AGE SEGMENT

II. TABLE SHOWING RESPONDENT'S AGE SEGMENT

Age Category	No of respondents	Percentage
20-29	47	47%
30-39	42	42%
40-49	8	8%
Above 50	3	3%
Total	100	100

Source: Questionnaire

II. CHART SHOWING RESPONDENTS AGE SEGMENT



Source: Questionnaire

Analysis

The age group of respondents is by and large spread across all the age segments. However, around 90% of the respondents comes under the combined age groups of 20 to 39 years.

Inference

Interaction with Mutual Fund Customers has revealed that individuals falling under these age profiles are typically the most lucrative segment for mutual fund investments. This is more due to their willingness to try out relatively new forms of investments like Mutual fund which are not that readily acceptable by older people

Customers in higher age groups typically prefer old “tried and tested” investment avenues like Insurance, bank deposit, real estate, etc

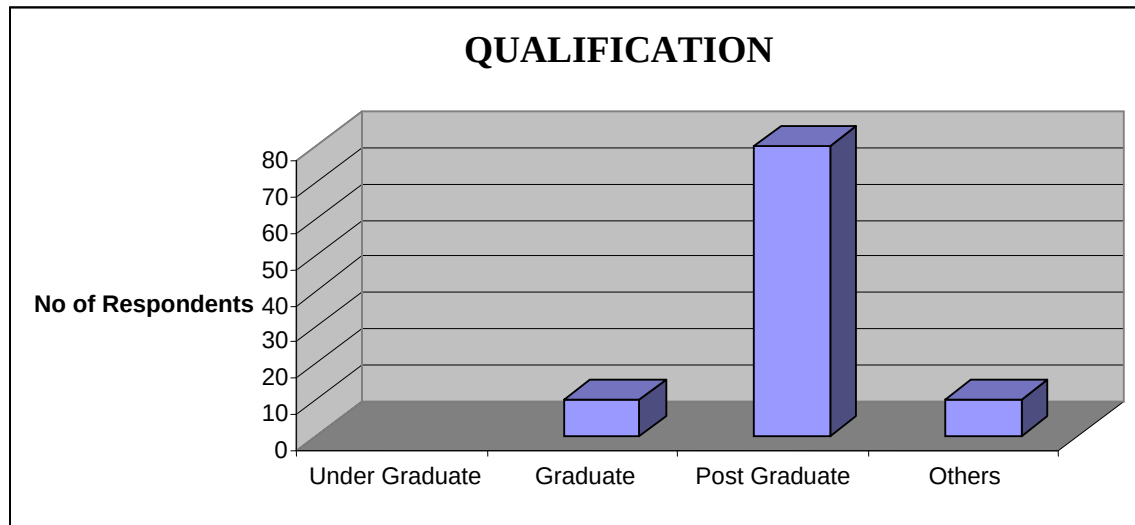
3. RESPONDENTS EDUCATION QUALIFICATION

III. TABLE SHOWING RESPONDENT'S EDUCATION QUALIFICATION

Qualification	No of Respondents	Percentage
Under Graduate		
Graduate	10	10%
Post Graduate	80	80%
Others	10	10%
Total	100	100

Source: Questionnaire

III. CHART SHOWING RESPONDENTS QUALIFICATION



Source: Questionnaire

Analysis

The surveyed group was well educated with 10% being graduates and 80% being post graduates

Inference

This mix conforms to the overall composition of the high salary earning burgeoning middle class, which is, the largest market segment or financial products like Mutual fund.

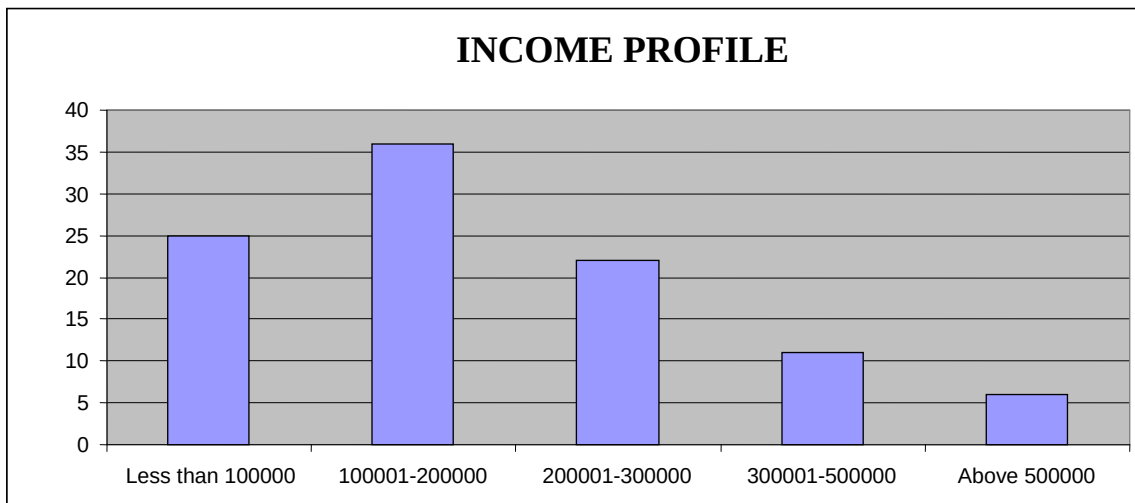
4. RESPONDENTS ANNUAL FAMILY INCOME

IV. TABLE SHOWING RESPONDENT'S ANNUAL FAMILY INCOME

Particulars	No of Respondents	Percentage
Less than 100000	25	25%
100001-200000	36	36%
200001-300000	22	22%
300001-500000	11	11%
Above 500000	6	6%
Total	100	100

Source: Questionnaire

IV. CHART SHOWING RESPONDENT'S ANNUAL FAMILY INCOME



Source: Questionnaire

Analysis

The above table shows the break up of the income profile of the respondents. Majority of the respondents 58% fall under the categories of annual income 1.0-2.0 and 2.0-3.0. 11% of the respondents come under 3.0-5.0. A meager 6% of the respondents fall under the annual income of above 5 lakhs. Another 25% of the respondents fall between the annual incomes of less than 1 lakhs.

Inference

Interaction with Mutual Fund Customers has revealed that individuals falling under this income profiles are typically the most lucrative segment for mutual fund investments. This is more due to their willingness to try out relatively new forms of investments like Mutual fund which are not that readily acceptable by other segment.

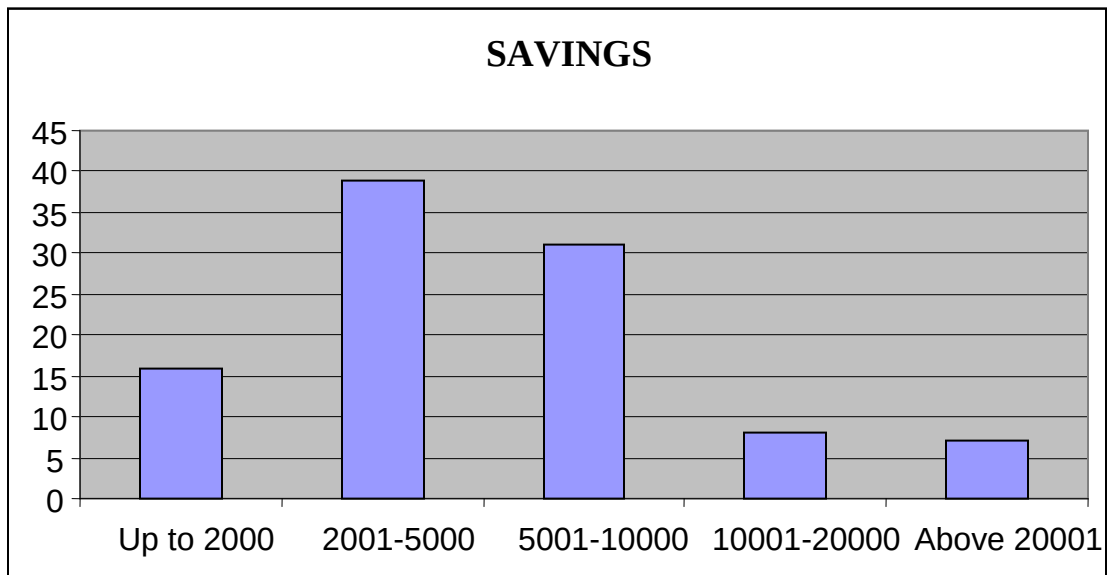
5. RESPONDENTS SAVING IN A MONTH.

V. TABLE SHOWING RESPONDENT'S SAVINGS IN A MONTH

Particulars	No of respondents	Percentage
Up to 2000	16	16%
2001-5000	39	39%
5001-10000	31	31%
10001-20000	8	8%
Above 20001	7	7%
Total	100	100

Source: Questionnaire

V. CHART SHOWING RESPONDENT'S SAVINGS



Source: Questionnaire

Analysis

Around 40% of the respondents reported to have a saving in the range of Rs 2001-5000 per month. That with a monthly saving of above Rs 20000 was as small at 7%. This is in conformity with the average earning levels of developing economies like India.

Inference

Mutual Fund Customers has revealed that individuals falling under these saving profiles are typically the most lucrative segment for mutual fund investments. This is more due to their savings to try out relatively new forms of investments like Mutual fund which are not that readily acceptable by other segment.

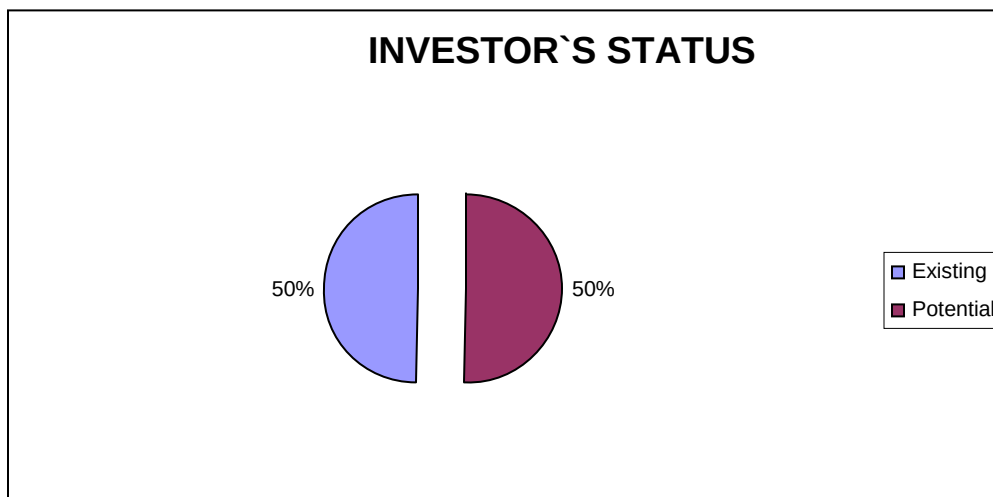
**6. RESPONDENTS HAVING INVESTMENT IN ANY KIND OF
MUTUAL FUND SCHEME**

**VI. TABLE SHOWING RESPONDENTS HAVING INVESTMENT IN
ANY KIND OF MUTUAL FUND**

	No of Respondents	Percentage
Existing	50	50%
Potential	50	50%
Total	100	100

Source: Questionnaire

VI. CHART SHOWING RESPONDENTS HAVING INVESTMENT IN ANY KIND OF MUTUAL FUND



Source; Questionnaire

Analysis

Current investors are individuals who are presently investing in Mutual Fund. Potential Investors are investors who intend to invest in mutual fund sometime in the future, but currently do not hold any mutual fund investment.

Inference

In this survey, 50% of the respondents were current investors and 50% were potential investors. This mix was intestinal as the objective of this study is to determine investor perceptions towards investing in mutual fund .The ratio of potential to current investors is 1:1.

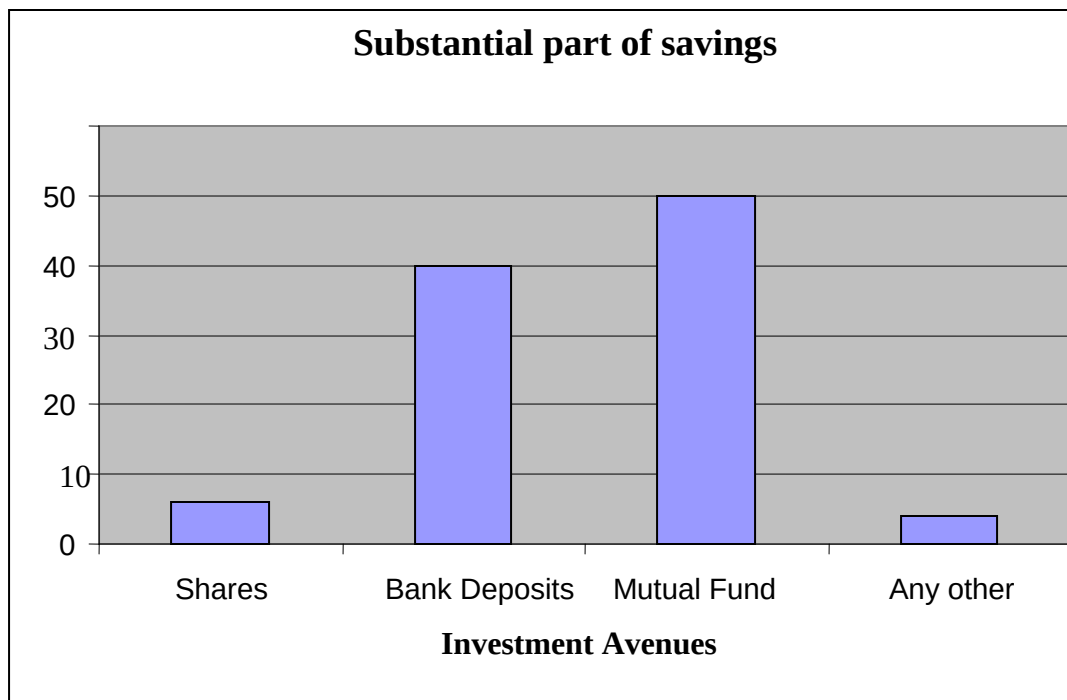
7. SUBSTANTIAL PART OF THE SAVINGS

VII. TABLE SHOWING SUBSTANTIAL PART OF RESPONDENT'S SAVINGS

Investment Avenues	No of Respondents	Percentage
Shares	6	6%
Bank Deposits	40	40%
Mutual Fund	50	50%
Any other	4	4%
Total	100	100

Source: Questionnaire

VII. CHART SHOWING SUBSTANTIAL PART OF RESPONDENTS SAVINGS



Source: Questionnaire

Analysis

Amongst the various investment avenues, substantial part of the savings of investor is in Bank Deposits. 40% of the respondents are invested their major savings in Banks. Mutual fund comes next at 50%. Not many of the respondents have invested in Shares.

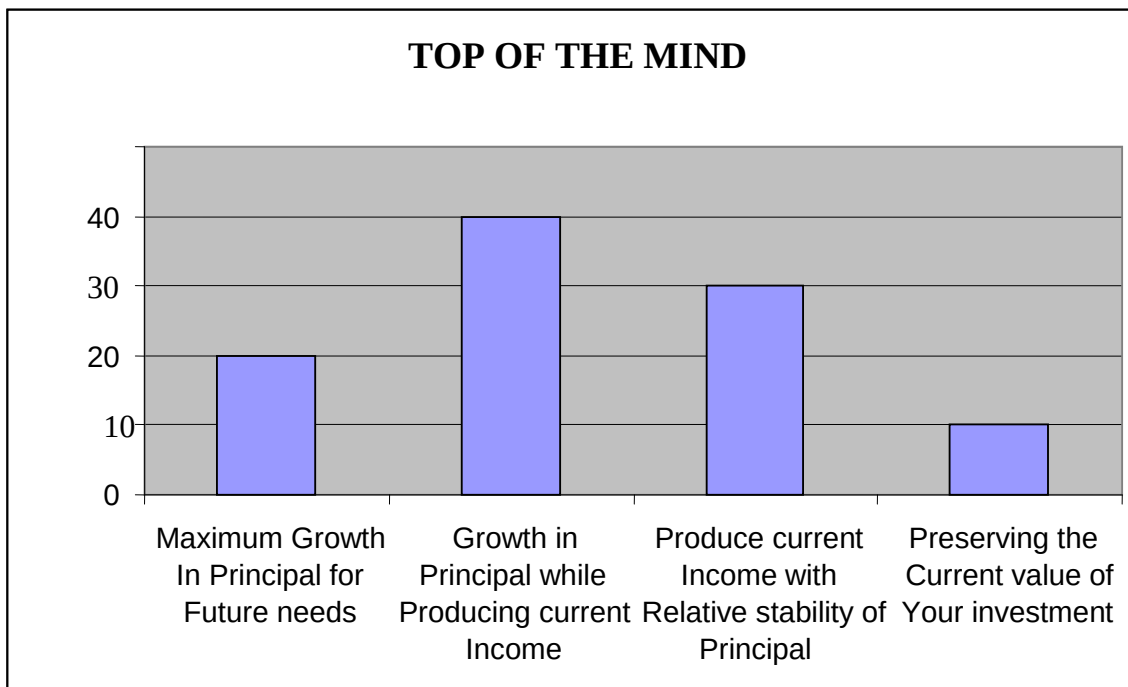
8. INVESTMENT OBJECTIVE

VIII. TABLE SHOWING INVESTMENT OBJECTIVE OF RESPONDENTS

Particulars	No of Respondents	Percentage
Maximum Growth in Principal for Future needs	20	20%
Growth in Principal while Producing current income	40	40%
Produce current income with relative stability of Principal	30	30%
Preserving the current value of your investment	10	10%
Total	100	100

Source: Questionnaire

VIII. CHART SHOWING INVESTMENT OBJECTIVE OF RESPONDENTS



Source: Questionnaire

Analysis

This section of the survey was aimed at understanding the main objective behind the investment made by the individual. Amongst all the objectives, the desire for current income with a growth in Principal (40%) was the most frequently selected category followed closely by Produce current income with relative stability of Principal (30%). Preserve for current value of investment was the minor objective in investment decision making

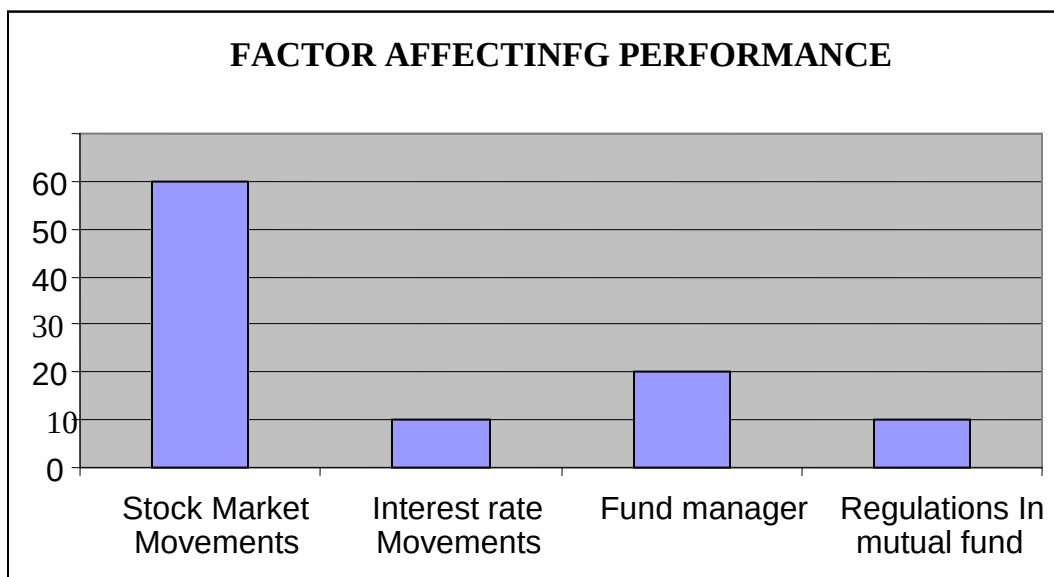
9. MICRO AND MACRO FACTOR THAT AFFECT THE PERFORMANCE OF AN INVESTMENT

IX. TABLE SHOWING FACTORS AFFECTING THE PERFORMANCE OF INVESTMENT

Particulars	No of Respondents	Percentage
Stock Market movements	60	60%
Interest rate movements	10	10%
Fund manager	20	20%
Regulations In mutual fund	10	10%
Total	100	100

Source: Questionnaire

IX.CHART SHOWING FACTORS AFFECTING THE PERFORMANCE OF INVESTMENT



Source: Questionnaire

Analysis

60% of the respondents believe that fund performance is influenced by Stock Market Movements. Only 20% believe that a highly crucial internal factor namely the Fund manager has the highest influence on fund performance.

Inference

This finding can be attributed to the low emphasis that Mutual fund companies invariably place on the expertise personal profiles of their fund managers. As per the survey Interest Rate movements (10%) and Regulations in mutual fund (10%) has less impact on the Mutual Fund performance.

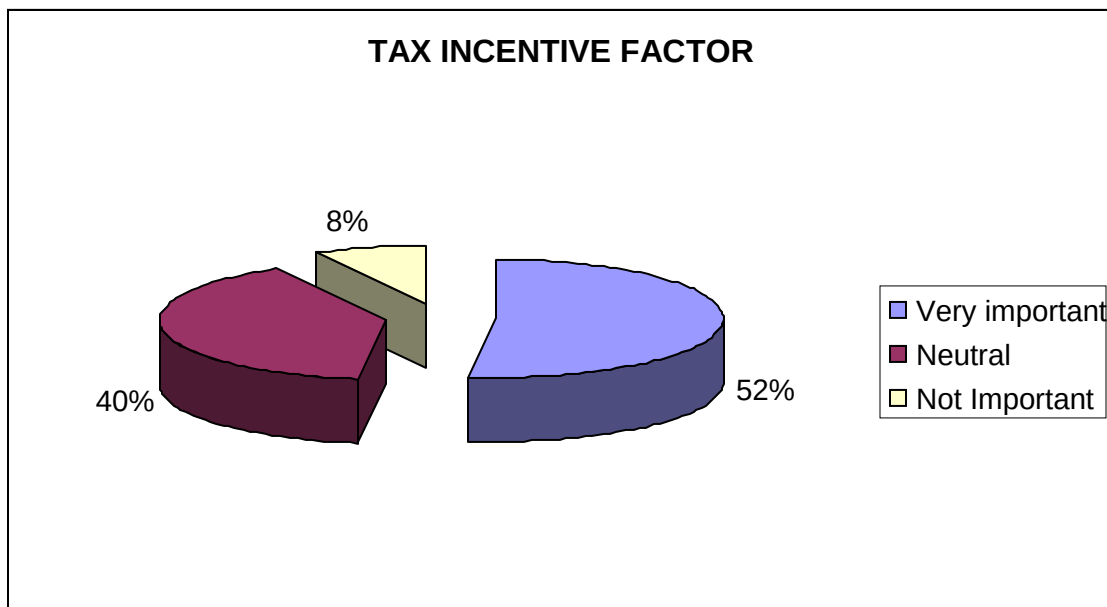
10. TAX INCENTIVE FACTOR

X. TABLE SHOWING THE TAX INCENTIVE FACTOR

Particulars	No of Respondents	Percentage
Very important	52	52%
Neutral	40	40%
Not Important	8	8 %
Total	100	100

Source: Questionnaire

X. CHART SHOWING THE TAX INCENTIVE FACTOR



Source: Questionnaire

Analysis

In this question we seek to determine the influence that the tax incentives factor has when evaluating Mutual Fund decision in particular.

The table reveals that 52% of the respondents consider tax incentives has very important when making Mutual Fund investments. The percentages of respondents who don't associate any importance to tax incentives in mutual fund investments are very low at 8%.

Inference

This finding reveals that the Mutual Fund industry is still to growth out of the image of being merely a haven for tax protection. The life insurance players in India are also facing the same problem with bulk of the life insurance policies being sold only for the purpose of tax rebates under section 88 and not have a means of saving and risk protection. The Mutual Fund Industry needs to grow out of this image because if the future tax incentives an mutual fund were removed then this industry would get very adversely hit. The mutual Fund companies need to promote the image of Mutual fund as an attractive returns avenue with low risk association.

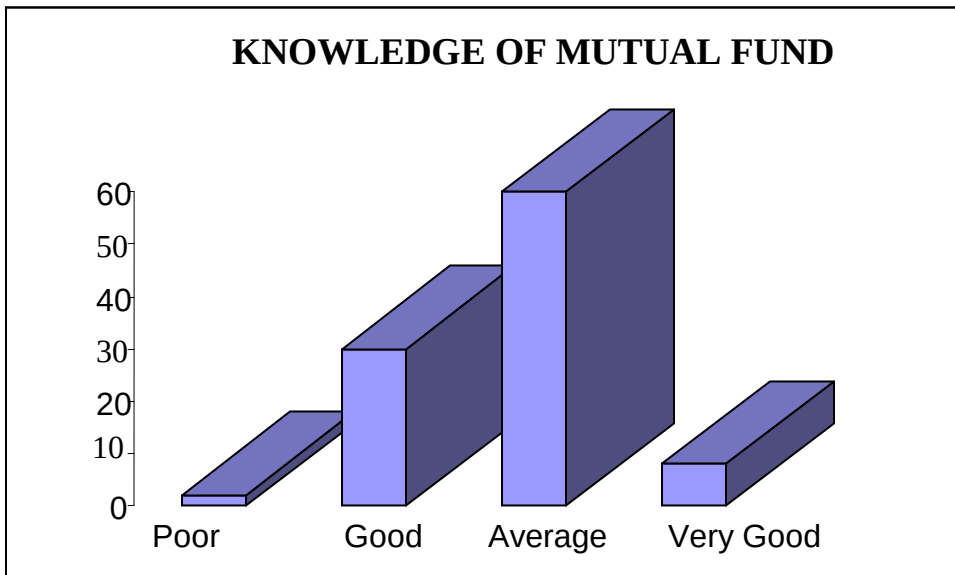
11. RESPONDENTS UNDERSTANDING ABOUT THE CONCEPT AND WORKING OF MUTUAL FUND

XI. TABLE SHOWING AWARENESS OF MUTUAL FUND

Particulars	No of Respondents	Percentage
Very Good	6	6%
Good	30	30%
Average	60	60%
Poor	4	4%
Total	100	100

Source: Questionnaire

XI. TABLE SHOWING AWARENESS OF MUTUAL FUND



Source; Questionnaire

Analysis

In this question we attempt to understand from the respondents their knowledge about Mutual funds. The highest frequency is for Average Category (60%) with only (30%) of the respondents rating their knowledge as good.

Inference

In the light of the above it is advisable that the Mutual fund companies should undertake campaigns that are designed to increase the understanding of the concept and working of mutual Fund along with their unique advantages. This is important because until and unless an individual knows properly what the entire concept of mutual fund is all about ,he will not at all convinced to invests his hard earn money in them. This would probably also is a reasons for the low popularity of Mutual Fund in India especially when compared to other countries.

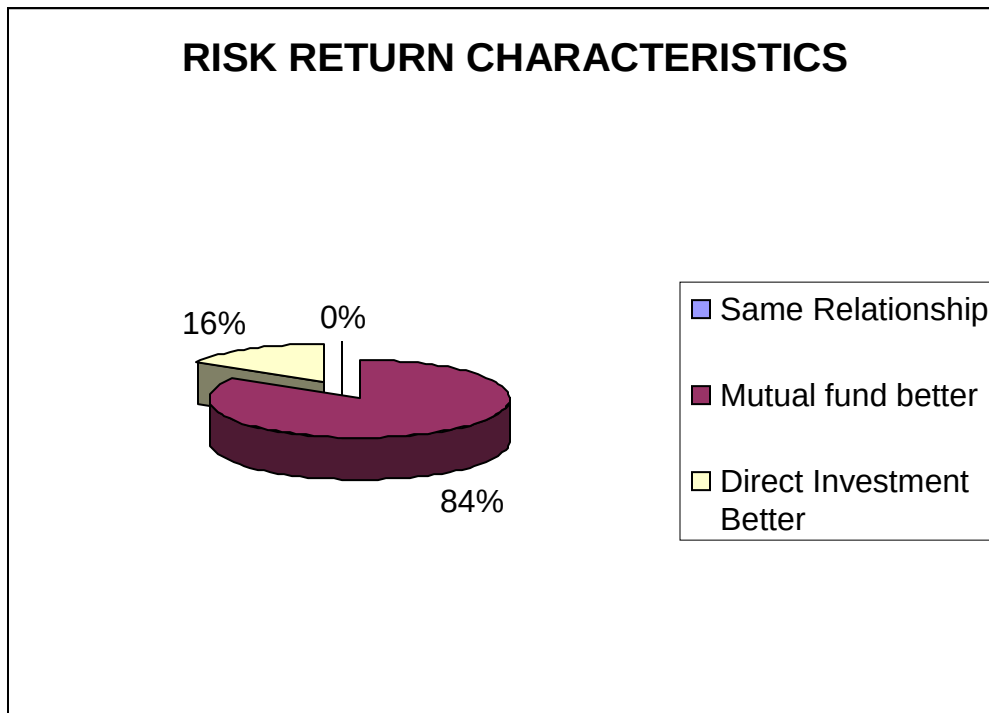
12. OPINON ABOUT RISK RETURNS CHARACTERISTICS OF MUTUL FUND VS DIRECT INVESTMENT

XII. TABLE SHOWING RISK RETURN CHARACTERISTICS

Particulars	No of Respondents	Percentage
Same Relationship		
Mutual fund better	84	84%
Direct Investment better	16	16%
Total	100	100

Source: Questionnaire

XII. CHART SHOWING THE RISK RETURN CHARACTERISTICS



Source; Questionnaire

Analysis

The main USP i.e. unique selling proposition of the entire concept of Mutual Fund is that their expert investment managers are better equipped than individual investors in making investment decisions accurately. These results in lower risk exposure for the same return when compared to equivalent investment avenues like direct investments in stocks

Inference

The belief seems to be well accepted by the respondents as a clear majority (82%) believes that they provide a means to reduce the risk for the same return when compared to direct investment in stock markets. This is vital because unless and until investors do not believe in the superiority of the Mutual Funds when compared to direct investment on their own, they will obviously not invest in them. 18% believe that direct investment is more beneficial. These could be those who have adequate expertise when it comes to investments in stocks

13. RESPONDENTS RISK-RETURN DISPOSITION

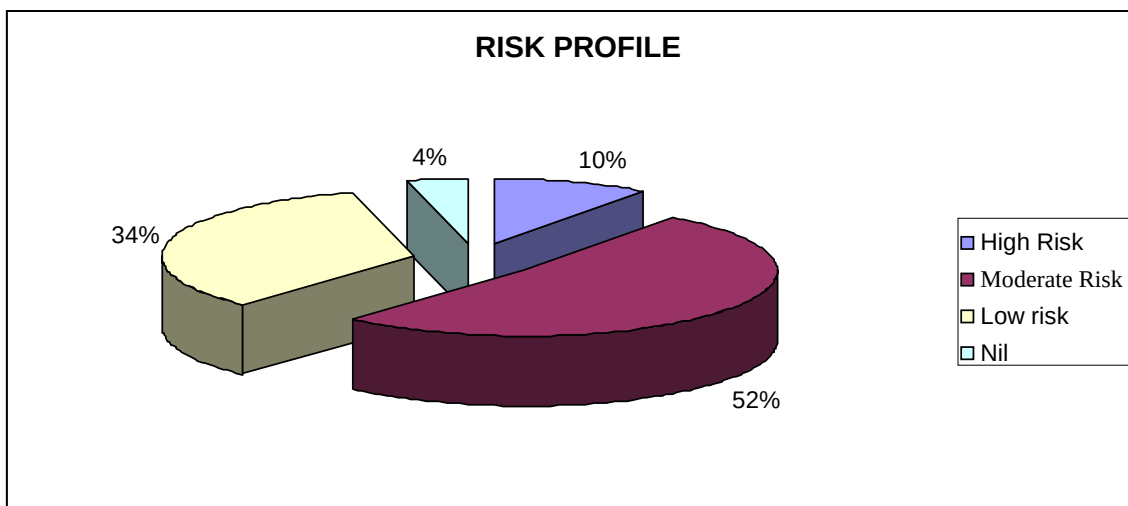
A. RESPONDENTS WILLING TO UNDERTAKE RISK

XIII A. TABLE SHOWING THE RISK PROFILE OF INVESTORS

Particulars	No of Respondents	Percentage
High Risk	10	10%
Moderate Risk	52	52%
Low risk	34	34%
Nil	4	4%
Total	100	100

Source: Questionnaire

XIII.A CHART SHOWING THE RISK PROFILE OF INVESTORS



Source: Questionnaire

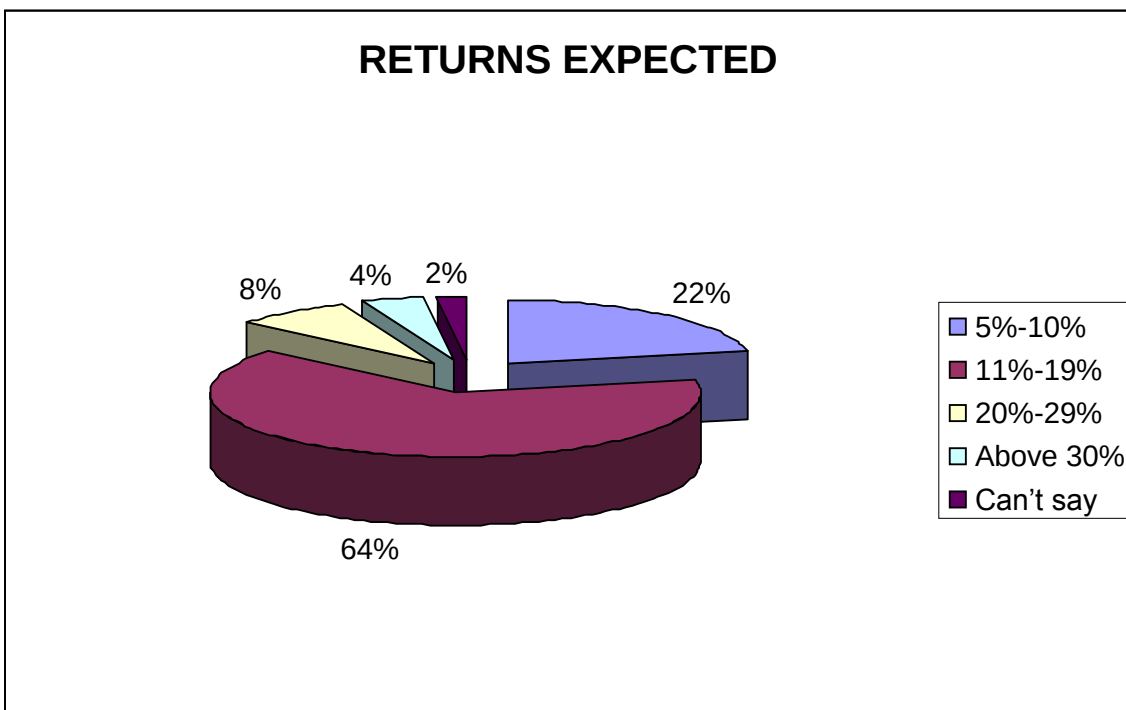
B. EXPECTED RETURN

XIII.B. TABLE SHOWING THE EXPECTED RETURN OF INVESTORS

Particulars	No of Respondents	Percentage
5%-10%	22	22
11%-19%	64	64
20%-29%	8	8
Above 30%	4	4
Can't say	2	2
Total	100	100

Source:

XIII.B. CHART SHOWING EXPECTED RETURNS OF INVESTORS



Source: Questionnaire

Analysis

By means of this question we are attempting to discern the risk return profile of the respondents .our findings clearly reveal that the bulk of the respondents fall under the moderate returns category with 52% willing to bear moderate risk and 64% expecting returns in the band of 11%-19%.

Inference

The limitation of such questions is that the findings invariably tend to confirm to a typical bell shaped curve. This is because it is generally seen that majority of the respondents invariably choose to clarify themselves under the middle score category and very few rate themselves as belonging to any one of the extreme tail position.

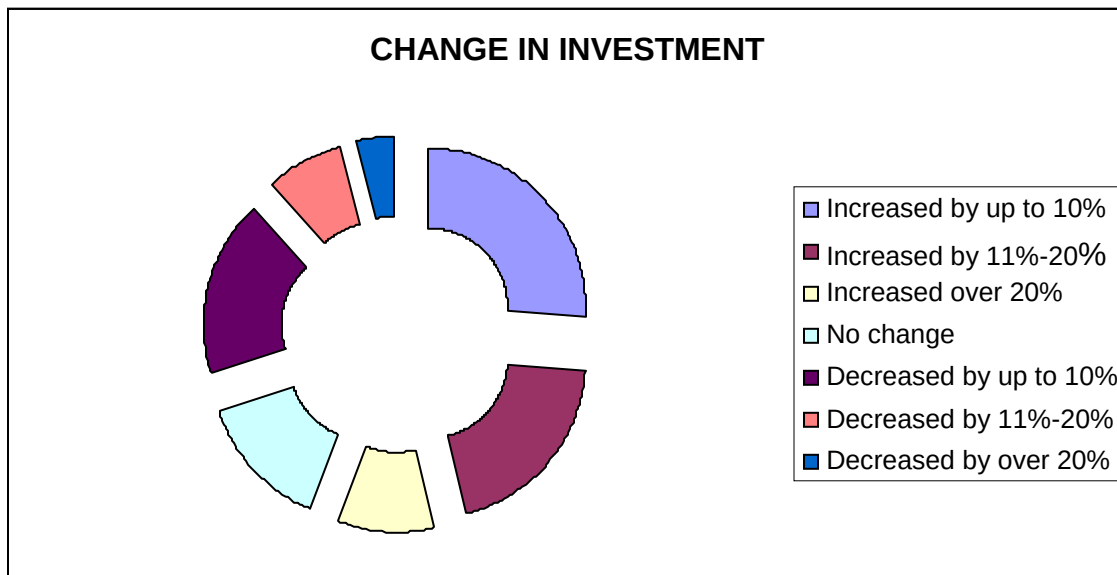
14. FUTURE INVESTMENT IN MUTUAL FUND

XIV. TABLE SHOWING THE FUTURE INVESTMENT OF INVESTOR

Particulars	No of Respondents	Percentage
Increased by up to 10%	26	26%
Increased by 11%-20%	20	20%
Increased over 20%	10	10%
No change	14	14%
Decreased by up to 10%	18	18%
Decreased by 11%-20%	8	8%
Decreased by over 20%	4	4%
Total	100	100

Source: Questionnaire

XIV. CHART SHOWING THE FUTURE INVESTMENT OF INVESTOR



Source: Questionnaire

Analysis

All in the majority of the respondents (56%) are bullish that their investment in the Mutual Fund will increase in the future. More than one quarter of the total respondents estimate an increase of up to 10% from current Investment positions.

Inference

We can hence say that the prospects for the Mutual Fund industry appear bright. However, the Mutual Fund companies should also make efforts to understand why a total of 30% of respondents have a negative outlook towards future Mutual fund Investments. Remedial measures in terms of Systems, Process changes or new products to suit the need of investors can be developed.

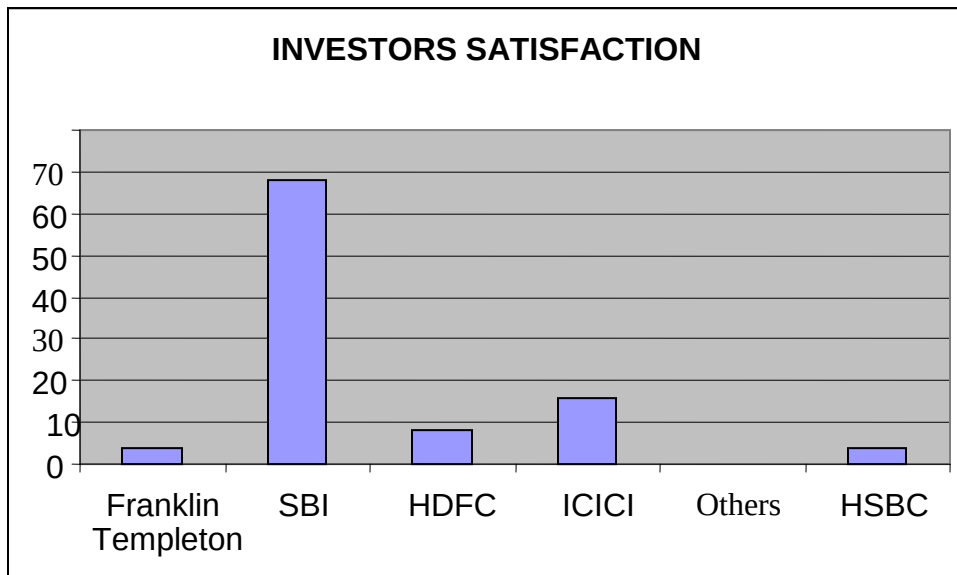
15. THE BEST MUTUAL FUND COMPANY

XV. TABLE SHOWING CUSTOMER'S SATISFACTION TOWARDS MUTUAL FUND

Particulars	No of Respondents	Percentage
Franklin Templeton	4	4%
SBI	68	68%
HDFC	8	8%
ICICI	16	16%
HSBC	4	4%
Others		
Total	100	100

Source: Questionnaire

XV. CHART SHOWING INVESTOR'S SATISFACTION TOWARDS MUTUAL FUND



Source: Questionnaire

Analysis

Amongst all the Mutual fund companies, it is the SBI which leads in the ranking of the Best Mutual fund. ICICI follows with 16points.

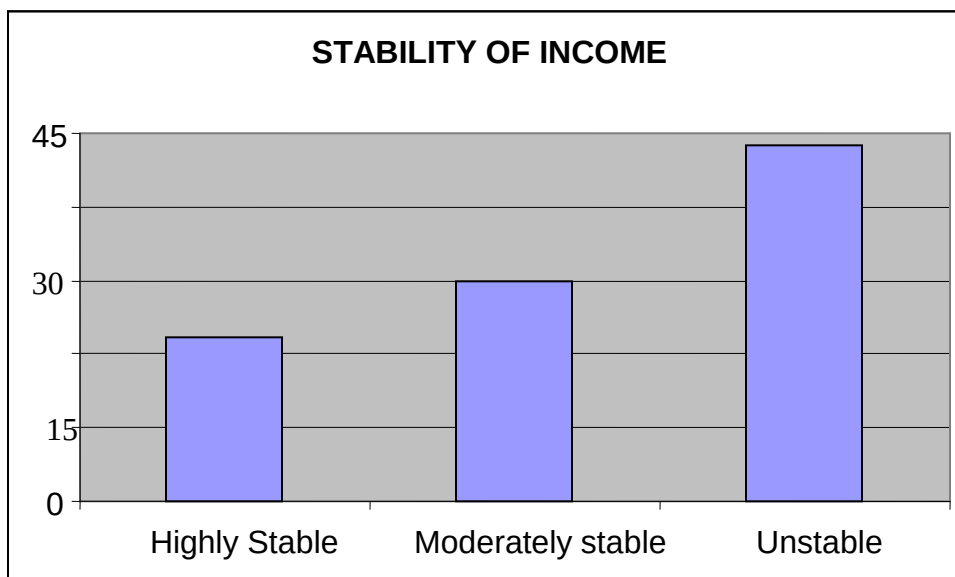
16. STABILITY OF CURRENT INCOME

XVI. TABLE SHOWING INVESTOR'S CURRENT INCOME STABILITY

Particulars	No of Respondents	Percentage
Highly Stable	26	26%
Moderately stable	30	30%
Unstable	44	44%
Total	100	100

Source: Questionnaire

XVI. CHART SHOWING INVESTOR'S CURRENT INCOME STABILITY



Source; Questionnaire

Analysis

As per the survey 44% of the potential Respondents believe that there current income source is unstable.30% of the respondents believes that there income source is moderately stable. Only 26% of the respondents think that there Income source is Highly Stable.

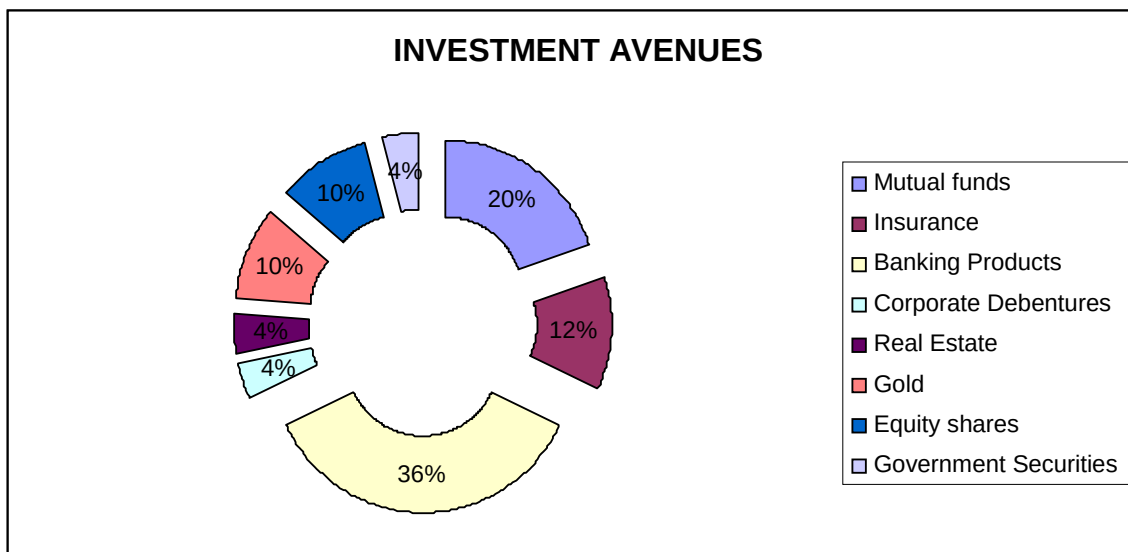
17. INVESTMENT AVENUES INTENDED TO INVEST IN FUTURE

XVII. TABLE SHOWING INVESTMENT AVENUES IN FUTURE

Investment Avenues	No of Respondents	Percentage
Mutual funds	20	20%
Insurance	12	12%
Banking Products	36	36%
Corporate Debentures	4	4%
Real Estate	4	4%
Gold	10	10%
Equity shares	10	10%
Government Securities	4	4%
Total	100	100

Source: Questionnaire

XVII. CHART SHOWING INVESTMENT AVENUES IN FUTURE



Source: Questionnaire

Analysis

Amongst the various investment Avenues, Banking products are the most common with 36% of the respondents having intending to do so in them. Mutual Funds and Insurance Products are 20% and 12% respectively. Not many of the respondents have intended to invest in Govt securities, Gold, Real estate.

Inference

Here we can see that only 20% of the respondents have chosen mutual fund as an avenue for investment in Future. Hence it can be said that there exists significant scope for increase in the awareness and acceptance of mutual funds amongst the investor community.

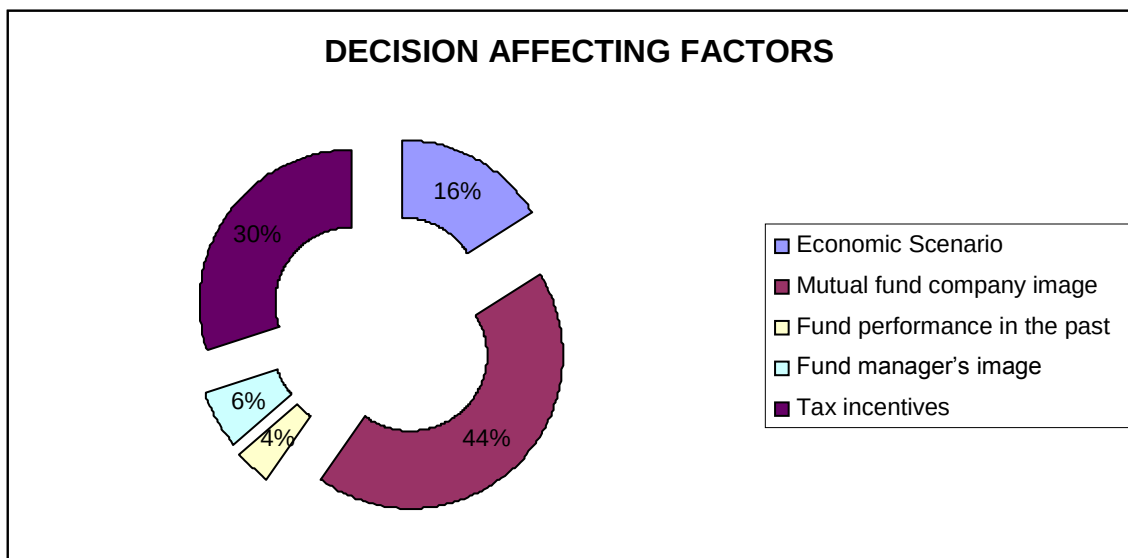
18. FACTOR INFLUENCING INVESTMENT DECISIONS

XVIII. TABLE SHOWING FACTORS INFLUENCING INVESTMENT DECISIONS

Factors Influencing	No of Respondents	Percentage
Economic Scenario	16	16%
Mutual fund company image	44	44%
Fund performance in the past	4	4%
Fund manager's image	6	6%
Tax incentives	30	30%
Total	100	100

Source: Questionnaire

XVIII. CHART SHOWING FACTORS INFLUENCING INVESTMENT DECISIONS



Source: Questionnaire

Analysis

The company image is by far the foremost factor which influences the investment decision when evaluating investment in Mutual Fund with 44% of the respondents selecting it. The Tax Incentive is the second most determining variable at 30%. Economic Scenario has limited influence.

Inference

Since company image plays such a determining role in Mutual Fund investment decisions, it is available for all the Mutual Fund companies to invest heavily in brand building. This exercise along with highlighting of past performance of same scheme and other schemes by the same company will go to a large extent in growth of the industry in general and the fund in particular.

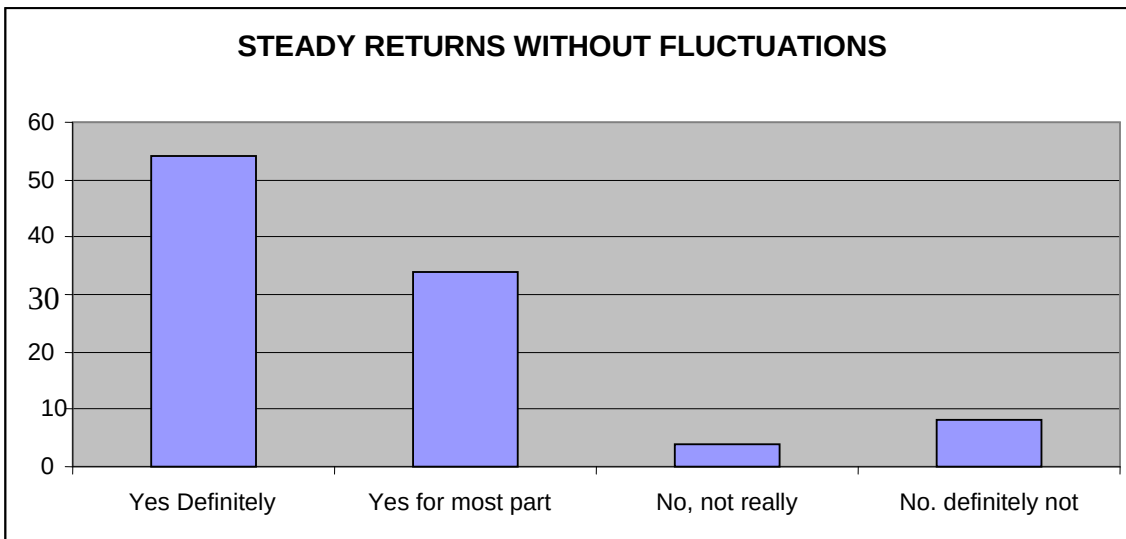
19. INVESTMENT WITH STEADY RETURNS WITHOUT FLUCTUATIONS IN VALUE

XIX. TABLE SHOWING STEADY RETURNS WITHOUT FLUCTUATIONS IN VALUE

Particulars	No of respondents	Percentage
Yes Definitely	54	54%
Yes for most part	34	34%
No, not really	4	4%
No. definitely not	8	8%
Total	100	100

Source; Questionnaire

XIX. CHART SHOWING STEADY RETURNS WITHOUT FLUCTUATIONS IN VALUE



Source: Questionnaire

Analysis

54% of the respondents stick to steady returns without any fluctuations in value of the Investment.

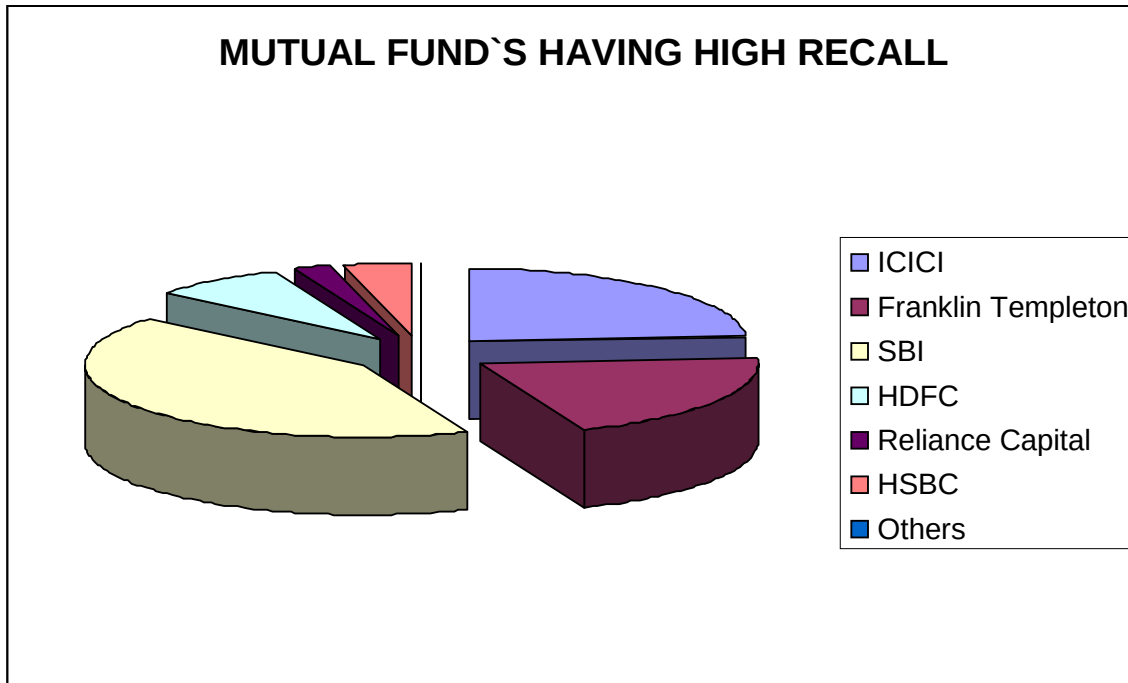
20. RESPONDENTS AWARE OF MUTUAL FUND COMPANIES

XX. TABLE SHOWING MUTUAL FUNDS HAVING HIGHEST RECALL

Companies	No of Respondents	Percentage
ICICI	24	24%
Franklin Templeton	20	20%
SBI	42	42%
HDFC	8	8%
Reliance Capital	2	2%
HSBC	4	4%
Others		
Total	100	100

Source: Questionnaire

XX. CHART SHOWING MUTUAL FUNDS HAVING HIGHEST RECALL



Source: Questionnaire

Analysis

With regards to the awareness of Mutual Fund Companies 42% of the respondents were aware of SBI. ICICI and Franklin Templeton were 24% and 20%.

Inference

Reliance Capital ranks low at 2% even though it is quite old and there can be possibility of lack of advertising or lack of awareness among the investors regarding Reliance Capital

KEY FINDINGS

THE SURVEY REVEALED THE FOLLOWING BOARD FINDINGS

Profile of an average investor

(The picture that emerges from the survey)

Age	: 20-29 years
Education	: Post Graduate
Monthly savings	: Rs 2000-10000
Major Part of Savings	: Bank deposits
Investment Objective	: Generate regular Income/ secure future
Tax incentive factor	: Important
Knowledge of Mutual Fund	: Average
Future Investment in Mutual funds	: Increased by 10%-20%
Risk Taking Ability	: Moderate
Expected Returns	: Medium (11%-19%)

- Most of the investors (47%) fall in the 20-29 age group
- Over 36% of the investors fall in the annual income of Rs 1 lakh to 2 lakh
- Over 39% of the investors have a monthly savings of Rs 2000 -5000
- Substantial Part of existing Investors savings is in Bank Deposits
- 40% of the investors invest to have a regular income with growth in the principal amount.
- Majority of Investors believe that Stock Market Movement (60%) affect the performance of The Mutual fund
- Almost every Investor who invests considers Tax incentive as a very important influencer while making Mutual Fund Investment.
- Knowledge about Mutual Fund is average among the investors.
- More than 80% of the investors believe that Mutual Fund is going to perform better than Individual stocks
- Majority of the investors like to take a moderate risk(52%) and moderate return (64%)on investment.
- 44% of Potential investors current income is Unstable
- Banking Products top the charts with 36% in investment preferences, followed by Mutual fund with 20%
- 44 % of the investors believe that the company image of AMC acts as a major deciding factor for buying mutual funds

- More than 50% of the potential Investors want steady returns without any fluctuations in values
- SBI mutual fund scores highest on both brand recall and customer satisfaction.
- Over 40% of the investors believe that their investment in Mutual fund in future will increase up to 20%

SUGGESTIONS

1. Over 80% of the respondents come under the combined age group of 20- 29 years. Individuals falling under this age profiles are typically the most lucrative segment for mutual fund Investment .This is more due to their willingness to try out relatively new forms of investment like Mutual Fund, which are not that readily acceptable by older people Therefore it is advisable to use different communication channels of advertising like personal communication channel and non personal communication channel so that it can best reach this group and hence attract more people to invest in Mutual Funds
2. The risk factors involved and the returns in the investments have major secondary influence in the investment decision. Therefore it is advisable for the fund management to show how they take actions to reduce the risk associated with different schemes by giving past examples like referring to the regular customers and their opinion and also the proof of the superior expertise.
3. The company image is by far the foremost factor which influences the investment decision when evaluating investment in Mutual Fund with 44% of the respondents selecting it. There by suggesting that the mutual fund industry, atleast as of date does not have any individuals like Marc Phobias of Quantum Funds who enjoy a ‘larger than life image’ such that they are able to attract investors on the
4. Basis of their name alone. Since company image plays such a determining role in mutual fund decision, it is advisable for all the mutual fund companies to invest heavily on brand building. By doing this, it will help in growth of the industry in general and fund in particular.

5. Since the highest frequency is for the “average category” with 60% of the respondents rating their knowledge as average. It is advisable that the mutual fund companies should undertake campaigns that are designed to increase the understanding of the concept and working of mutual funds along with their unique advantage. They can also publish material along with the brochures to educate investors. This is important because unless and until an individual knows properly what the entire concept of mutual fund is all about, he will not at all be convinced to invest his hard earned money in them. This could probably also be a reason for the low popularity of mutual funds in India especially when compared to other countries like USA, UK, etc.

6. When comparing the risk-return characteristics of mutual funds vs. direct investment in stock markets, the belief seems to well accepted by the respondents as a clear majority (82%) believes that mutual fund provide a means of reduced risk for the same return when compared to direct investment in stock markets. This is vital because unless and until investors do not believe in the superiority of the mutual funds when compared to direct investment on their own they will obviously not invest in them. Therefore, it is suggested that mutual fund companies should reinforce their perception as a part of their communication mix.

7. 60% of the respondents believe that the stock market movements influence mutual fund performance. In order to attract the investors it is advisable for the mutual fund companies to make attempts to change this perception. A possible way could be to highlight the occasions when the mutual fund has outperformed the stock markets. This in turn will convince potential investors about the superiority of mutual funds.