

# A Study on Investment Pattern and Awareness of Salaried Class Investors in Ernakulam District

\*Mrs. Susmi P.S, \*\*Mrs.Dhanya Asok. \*\*\*Mrs.Roopa Ruby Mathew,  
\*\*\*\*Mrs. Binu Bhai P.V

\*Assistant Professor, Department of Commerce, Siena College of Professional Studies,  
Edakochi, Ernakulam.

\*\*Assistant Professor, Department of Commerce, Siena College of Professional Studies,  
Edakochi, Ernakulam

\*\*\* Assistant Professor, Department Of Commerce, Siena College of Professional Studies,  
Edakochi, Ernakulam,

\*\*\*\*Assistant Professor, Department Of Commerce, Siena College of Professional Studies,  
Edakochi, Ernakulam.

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## ABSTRACT

*A Mutual Fund is an investment vehicle that pools funds from various investors and invests the funds in stocks, bonds, short-term money-market instruments, other securities or assets or some combination of these investments. The primary goal behind investment in mutual fund is to earn goods return with comparatively low risk. The main objective of this research is to identify investors' preference towards mutual fund in Ernakulam district of Kerala.. By using a structured questionnaire required data were collected and, statistical tools like Simple Percentage analysis, Garrett's Ranking method have been used for analyzing the data. The findings from this research are that the most of the investors are doubtful to invest the new age investment like mutual funds.*

**Keywords:** *Financial Instruments, Investors' Decision, Risk Return*

## I. INTRODUCTION

Investment means commitment of money for generating income or profit in future. It includes surplus of money that people or an investor sacrificed today for the generation of future income. It may be of fixed or variable nature. Fixed investment is like bonds, fixed deposits etc. and variable investment includes buying of equity shares. So to gain something in future, people used to invest in various kinds of investment for long term or short term. There are Various kinds of investment includes share market, debentures or bonds, money market instruments, mutual funds, life insurance, real estate, precious objects, derivatives, non-

marketable securities. Each kind of investment has its different features like terms of risk, return, term etc.

A Mutual Fund is an investment vehicle that pools funds from various investors and invests the funds in stocks, bonds, short-term money-market instruments, other securities or assets or some combination of these investments. Investment decisions are carefully taken by the fund managers after sound research and the decisions will be in the significance of the unit holders

Mutual funds are professionally managed funds by an expert. It offers us diversification of risk. In this type of investment, people collectively buy and sell stocks through a single hand.

**Benefits of mutual fund:**

- Simple and easy to understand.
- East to buy or access Mutual Funds
- It covers variety of stock in single portfolio.
- Risk is also spread
- Can invest once a time or monthly with little amount of money.
- Managed by experts and we don't need to take the burden to buy or sell the stock.
- People can invest on the basis of their financial goals.

This study focuses on the perception and awareness of salaried investors about investment in the mutual fund market. The factors affecting their investment decision are also taken.

**II. STATEMENT OF THE PROBLEM**

Mutual fund industry provides a platform for ordinary people to invest in the share market but there is a need for investor awareness and to spread the promising opportunities to salaried as well as non-salaried population in our country.

This study is to traces salaried investors attitude, preferences and level of awareness towards various mutual fund schemes. The present study confers to the salaried people in Ernakulum. The study also analysis the factors which encourage the investors to make investments in mutual funds and that keep them aloof from it.

**III. OBJECTIVES OF THE STUDY**

The main objectives of the present study are as follows;

1. To study the awareness of salaried employees about mutual fund schemes.
2. To study the problems of investing in mutual funds.

#### **IV. RESEARCH METHODOLOGY**

##### **Source of Data**

The present study is based on primary data which was collected using questionnaire method. Secondary Data were collected from books, journals and internet.

##### **Sample Size**

In this study 150 investors had been considered from Ernakulam district of Kerala. However, only 140 respondents have selected due to not sufficiency of data in few questionnaires for data analysis.

##### **Data Collection**

The data were collected using questionnaire from investors like those who are interested in mutual funds scheme and other investment option.

##### **Analysis of Data**

Statistical tools like Simple Percentage analysis, Garrett's Ranking method have been used for analyzing the data.

#### **V. LIMITATIONS OF THE STUDY**

1. The research restricted to mutual fund investors in some major cities in Ernakulam district like Aluva, Perumbavur, Thoppumpady, and Paravur only. Other parts of the districts not not included.
2. This study was constrained by limitations of time.
3. The present study focused on individual investors. So the data were collected from the individual investors alone.

#### **VI. ANALYSIS AND INTERPRETATION**

##### **1. OCCUPATION OF RESPONDENTS**

<b>Occupation</b>	<b>No. Of respondents</b>	<b>Percentage</b>
Government employees	27	19.3%
Private employees	66	47.1%
Others	47	33.6%

Total	140	100%

*Source: Primary Data*

Out of 140 respondents, 27 were government employees, 66 were private employees and 47 were employees in other sectors. Thus, most of the respondents were from the private sector.

## **2. ANNUAL INCOME OF THE RESPONDENTS**

<b>Range of income</b>	<b>No. Of respondents</b>	<b>Percentage of respondents</b>
Less than 1 lakh	55	39.3%
1 lakh – 2.5 lakh	33	23.6%
2.5 lakh – 5 lakhs	31	22.1%
5 lakh and above	21	15%
Total	140	100

*Source : Primary Data*

Out of the following responses, the annual income of 39.3% respondents were less than 1 lakh, and 23.6% were earning an annual income between 1lakh to 2.5lakh,22.1% were earning income within a range of 2.5 lakh to 5 lakh and 15% respondents had annual income within 5 lakh and above.

## **3. DETAILS SHOWING WHETHER THE RESPONDENTS HAVE EVER INVESTED IN MUTUAL FUNDS**

<b>Responses</b>	<b>No. Of respondents</b>	<b>Percentage of respondents</b>
Invested	33	23.6%
Never invested	107	76.4%
Total	140	100

*Source: Primary Data*

Out of 140 respondents, 33 of them have invested in mutual funds contributing about 23.6% and 107 respondents i.e. 76.4% have never invested in mutual funds. The number of respondents invested in mutual funds is comparatively lower than that of the respondents who never invested.

## **4. MUTUAL FUNDS SO FAR INVESTED**

<b>Schemes</b>	<b>No. Of responses</b>	<b>Percentage of respondents</b>
Equity funds	13	39.4%
Debt funds	6	18.2%
Money market funds	4	24.2%

Others	6	18.2%
Total	33	100

Source : Primary Data

Out of 33 responses for investments made in mutual funds, the majority of them have invested in equity funds contributing to 39.4%, followed by money market funds with 24.2% and debt funds 18.2%. 18.75% of them have invested in other schemes. The least number of respondents have invested in debt funds.

#### 5. MAINTAINING REGULAR BUDGET

Regular budget maintenance	No. Of respondents	Percentage of respondents
Yes	6	18.2%
No	27	81.8%
Total	33	100%

Source : Primary Data

Out of 33 responses ,6 respondents ie.18.2% maintain regular budget for investing in mutual funds and 27 ie.81.8% respondents do not maintain regular budget. It is evident that the greatest number of respondents do not maintain regular budget for making investments in mutual funds.

#### 6. EXISTING INVESTMENT OF THE RESPONDENTS

Investments	No. Of respondents	Percentage of respondents
Gold	34	24.5%
Real estate	5	3.5%
Deposit	54	38.5%
Shares	14	10.0%
Mutual funds	19	13.5%
Others	14	10.0%
Total	140	100

Source : Primary Data

Among 140 responses, majority has their existing investments in deposits contributing 38.5% and minimum investments in real estate which marks 3.5 %. The investments on mutual funds were 13.5%, shares10%, gold 24.5% and others 10%.

#### 7. SOURCES FROM WHICH THE RESPONDENTS RECEIVE INFORMATION ABOUT MUTUAL FUNDS

Sources	No. Of respondents	Percentage
Newspaper	18	12.8%
Friends	27	19.3%
Broker /financial advisors	21	15%
Tv/internet	56	40%
Advertisement	14	10.0%
Others	4	2.9%
Total	140	100

Source : Primary Data

From the graph, it is evident that majority of the respondents got to know about mutual funds from television or internet i.e. 40%, friends 19.3%, from brokers 15%, newspaper 12.8%, advertisements 10% and other sources 2.9%. It is clear that most of the respondents receive information on mutual funds through television or internet and the least from advertisements.

#### 8. LEVEL OF AWARENESS OF MUTUAL FUND SCHEMES

Awareness	No. Of respondents	Percentage of respondents
Very high	6	4.3%
High	20	14.3%
Moderate	74	52.9%
Low	30	21.4%
Very low	10	7.1%
Total	140	100%

Source : Primary Data

From this graph, it is evident that 4.3% respondents have very high awareness, 14.3% of them have high level of awareness, 52.9% are moderately aware, 21.4% respondents have low awareness and 7.1% are of very low awareness. Majority of the respondents have moderate level of awareness about mutual fund.

#### 9. PROBLEMS FACED BY MUTUAL FUND INVESTORS

Problems	Mean rank	Final Rank
Low income	3.25	5
Lack of Market Information	7.56	1
High Fees, Commission	6.14	3
Delay in Selling Unit	6.25	2
Poor Service of Broker	5.28	4
Poor Service of Mutual Fund Company	2.34	6

*Source : Primary Data*

The major problems faced by mutual fund investors are lack of market information, Delay in selling units and High fees and commission.

## VI. FINDINGS

The following are the results of the study;

- Majority of the respondents are engaged in private sector jobs.
- Majority of the respondents are earning income less than 1 lakh.
- Majority of the respondents have never invested in mutual funds.
- Majority of the respondents have so far invested in equity funds.
- Majority of the investors do not maintain regular budget for investing in mutual funds.
- Majority of respondents have existing investment in the form of deposits.
- Majority of the respondents receive knowledge about mutual funds mostly from Television or Internet.
- Majority of the respondents have moderate level of awareness on mutual funds.
- The major problems faced by mutual fund investors are lack of market information, Delay in selling units and High fees and commission.

## VII. SUGGESTIONS

1. Most of the people have wrong perception on mutual funds and this must be rectified.

2. Promotional activities must be generated and government to take measures in order to create a motive among people to invest.
3. Huge opportunities of mutual fund exist, but customers are not properly educated about these. They still think of investing in traditional investments to be on safer side.

#### **VIII. CONCLUSION**

As India is a developing nation, creating investments are an important factor in building up a nation. Hence it is utmost significant to understand and invest in the mutual fund industry. The study reveals that most of the people are not fully aware about mutual funds and they are hesitant to invest in those. Measures have to be implemented in order to create awareness on mutual funds among the people.

Most of the people are satisfied with their earnings and they do not wish to take risks on investments. It is a sad fact that majority of the people consider mutual funds to be a retirement option. It is necessary to create awareness on these schemes as it has gained strong recognition in most of the countries and it can be termed as a source of their economic well being. There must be initiatives to induce changes in the present schemes and to develop mutual fund aspects that attract large volume of people.

#### **IX. REFERENCE**

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