



## A STUDY ON MUTUAL FUNDS WITH DUE REFERENCE TO 'SBI MUTUAL FUNDS'

MR. BADRIVISHAL

Asst-Professor, Signodia Arts, Commerce and P.G. center, Charkaman, Hyderabad

### Abstract

The mutual fund industry is a lot like the film star of the finance business. Though it is perhaps the smallest segment of the industry, it is also the most glamorous – in that it is a young industry where there are changes in the rules of the game every day, and there are constant shifts and upheavals. The mutual fund is structured around a fairly simple concept, the mitigation of risk through the spreading of investments across multiple entities, which is achieved by the pooling of a number of small investments into a large bucket. Yet it has been the subject of perhaps the most elaborate and prolonged regulatory effort in the history of the country. This paper explores market study and finds the fund performance and awareness of full schemes of AMC and divided option opted. This study has been conducted within specific and limited time period.

**Keywords:** mutual funds, companies, investments.

### Introduction

Mutual fund companies have prospered because of a continuing bull market, which means that investors may be able to share their fund company's gains even if their stock funds have done poorly in 2000. Mutual fund companies have done so well largely because they levy a fixed charge on the assets they manage, and the more assets they manage, the more money they make. Investment Company Institute statistics indicate that investors poured \$212 billion into stock funds in 1st half 2000 alone. The industry is collecting management fees on \$7.1 trillion in assets.

To understand the performance and benefits of mutual funds. The mutual fund industry has to now take the more difficult but long-term sustainable route of gathering assets from individual investors by providing them value added, financial planning services and ensuring that mutual funds are an integral part of their overall portfolio.

### Objectives of the Study

- To study about the mutual funds industry.
- To study the approach of investors towards mutual funds and tulips.
- To study the behavior of the investors for preferring mutual funds or tulips
- To help an investor to make right choice of investment, while considering the inherent risk factors.
- To understand risk and return of the various schemes.
- To understand the recent trends in the MF world.
- To mutual funds as the 'productive avenue' to invest in contrast to the laxity of 'bank investing'.

### Scope of the Study

- Subject matter is related to the investor's approach towards mutual funds and tulips.
- People of age between 20 to 60
- Area limited to Hyderabad.
- Demographics include names, age, qualification, occupation, marital status and annual income.

### Steps of Research Design:

- **Define the information needed:** This first step states that what the information that is actually required is. Information in this case we require is that what is the approach of investors while investing their money in mutual funds and tulips e.g. what do they consider while deciding as to invest in which of the two i.e. Mutual funds or tulips. Also, it studies the extent to which the investors are aware of the various costs that one bears while making any investment. So, the information sought and information generated is only possible after defining the information needed.
- **Design the research:** A research design is a framework or blueprint for conducting the research project. It details the procedures necessary for obtaining the information needed to solve research problems. In this project, the research design is explorative in nature.
- **Specify the scaling procedures:** Scaling involves creating a continuum on which measured objects are located. Both nominal and interval scales have been used for this purpose.

- **Construct and pretest a questionnaire:** A questionnaire is a formalized set of questions for obtaining information from respondents. Where as protesting refers to the testing of the questionnaire on a small sample of respondents in order to identify and eliminate potential problems.
- **Population:** All the clients of State bank of India and State bank of Hyderabad who are investing money in mutual funds and tulips, both.
- **Sample Unit :** Investors and non-investors.
- **Sample Size :** This study involves 50 respondents.
- **Sampling Technique:** The sample size has been taken by non-random convenience sampling technique

### Data Collection

Data has been collected both from primary as well as secondary sources as described below:

#### Primary sources

Primary data was obtained through questionnaires filled by people and through direct communication with respondents in the form of Interview.

#### Secondary sources

The secondary sources of data were taken from the various websites, books, journals reports, articles etc. This mainly provided information about the mutual fund and tulips industry in India.

**Plan for data analysis:** Analysis of data is planned with the help of mean, chi-square technique and analysis of variance.

### Limitations of the Study

No study is free from limitations. The limitations of this study can be:

- Sample size taken is small and may not be sufficient to predict the results with 100% accuracy.
- The result is based on primary and secondary data that has its own limitations.
- The study only covers the area of Hyderabad that may not be applicable to other areas.

### Data Analysis & Interpretation

**Table 1: Investment in Mutual Funds**

response	Frequency	Percentage
Yes	19	62%
No	31	38%
Total	50	100

#### Interpretation:

From the above table out of the 100%, 62% of the people invest in mutual funds Remaining 38% of people they haven't interest invest in mutual funds.

**Table 2: Preference for Investment**

Options	frequency	Percentages
Fixed deposits	11	45.83
Post office schemes	9	37.5
Recurring deposits	4	16.66
Total	24	100

#### Interpretation:

From the above table 45.83 % of people prefer to fixed deposits, 37.5% of investors invest in post office schemes, and 16.66% of investors invest in recurring schemes.

**Table 3: Mode of Information That You Use for Insurance Companies**

Options	Frequency	percentage
Advertisements	22	44%
Agents	12	24%
Seminar	7	14%
Workshop	9	18%
total	50	100

**Table 4**

Options	Frequency	(observed-expected)	(observed-expected) <sup>2</sup>	(observed-expected) <sup>2</sup> /e
Advertisements	22	9.5	90.25	7.22
Agents	12	-.5	.25	.02
Seminar	7	-5.5	30.25	2.42
Workshop	9	-3.5	12.25	.98
Total	50		133	10.64

Expected frequency= 50/4= 12.5

$$\text{Chi square} = \sum \frac{|\text{observed-expected}|^2}{e} = 10.64$$

Expected at 3 degree of freedom, df (3) =7.815, thus the calculated value is greater than the table value. Hence, **H<sub>0</sub> is rejected**.

**Interpretation:**

From the following above table it is clear that all the modes of information are not the same. Advertisement is more popular

**Table 5: Sector Preferred to Invest the Money**

Options	Frequency	Percentages
Government sector	27	54
Private sector	23	46
Total	50	100

Options	Frequency	Observed-expected	(Observed-expected) <sup>2</sup>	(observed-expected) <sup>2</sup> /e
Government sector	27	2	4	0.16
Private sector	23	-2	4	0.16
total	50	-2	8	0.32

$$\text{Chi square} = \sum \frac{|\text{observed-expected}|^2}{e} = 0.32$$

Expected at df (1), the table value is 3.841 which is greater than the calculated value. Hence, **H<sub>0</sub> is accepted**.

**Interpretation:**

The following above table 54% of people prefer to government sector, 46% of people prefer to private sector.

**Table 6: Investment Rate Preferred to Grow**

Options	Frequency	Percentages
Steadily	17	34
At an average rate	13	26
Fast	20	40
Total	50	100

**Interpretation:**

From the above table clear that 40% of the respondents want their investments to grow fastly, 26% of the respondents want their investment to grow at an average rate, and 34% of people respondents to grow steadily.

**Table 7: Factors Considered Before Investing in Mutual Fund or ULIPS**

Options	frequency	percentages
Safety of principal	14	28
Low risk	15	30
Higher returns	14	28
Maturity period	4	8
Terms and conditions	3	6
Total	50	100

Options	frequency	Observed-expected	(Observed-expected) <sup>2</sup>	(observed-expected) <sup>2</sup> /e
Safety of principal	14	4	16	1.6
Low risk	15	5	25	2.5
Higher returns	14	4	16	1.6
Maturity period	4	-6	36	3.6
Terms and conditions	3	-7	49	4.9
total	50		142	14.2

Chi square =  $\sum \frac{|\text{observed-expected}|^2}{e} = 14.2$

Expected at df (4), the table value is 9.488 which is less than the calculated value. Hence, **H<sub>0</sub> is rejected**

**Interpretation:**

People prefer low risk as the most important factor before investing in mutual funds or tulips.

**Table 8: Decisions Taken When Stock Market Drops**

Options	Frequency
Withdraw your money	16
Wait and watch	52
Invest more in it	32

**Interpretation:**

From the above table 52% of the respondents will wait and watch even if the share market drops, 32% of people invest more in it if share market drops, and 16% Of people with draw money if the share market drops.

**Table 9: Other Investment/Insurance Policy**

Options	Frequency	Percentages
Yes	34	68
No	16	32
Total	50	100

**Interpretation:**

From the following above table 68 % of the people had bought other investment policies, and 32% of people they hadn't interest bought other investment policies.

**Table 10: Monitoring the Investment**

Options	Frequency
Daily	15
Monthly	25
Occasionally	10

Options	frequency	Percentages
Daily	15	30
Monthly	25	50
Occasionally	10	20
Total	50	100

**Interpretation:**

It shows that most of the people .i.e. 50% prefer monitoring their investment on monthly basis 20% of the people monitor their investment occasionally

**Table 11: Investment of Money in Share Market**

		Annual Income				Total
		Below 1,50,000	1,50,000-2,50,000	2,50,000-4,00,000	Above 4,00,000	
Share Market	No	12	3	3	6	24
	Yes	3	4	6	13	26
Total		15	7	9	19	50

Annual income	Frequency(yes)	Observed-expected	(Observed-expected) <sup>2</sup>
(observed-expected) <sup>2</sup> /e			
Below 1,50,000	3	-3.5	12.25
1.884			
1,50,000-2,50,000	4	-2.5	6.25
0.961			
2,50,000-4,00,000	6	-.5	0.25
0.038			
Above 4,00,000	13	6.5	42.25
6.5			
Total	26	0	61
9.383			

Expected=26/4= 6.5

Chi square=  $\sum \frac{|\text{observed-expected}|^2}{e} = 9.383$

Expected at df (3), the table value is 7.815 which is less than the calculated value. **Hence, H<sub>0</sub> is rejected.**

**Interpretation:**

It states that with the rise in income, the percentage of people investing in share market also increases.

**Table 12: Percentage of Income Preferred to Invest**

Options	Frequency	percentages
0- 5%	26	52
5-10%	13	26
10-15%	11	22
total	50	100

Options	Frequency	Mv	Dx=MV-7.5/5	FdX
<b>0-5</b>	<b>26</b>	<b>2.5</b>	<b>-1</b>	<b>-26</b>
<b>5-10</b>	<b>13</b>	<b>7.5</b>	<b>0</b>	<b>0</b>
<b>10-15</b>	<b>11</b>	<b>12.5</b>	<b>1</b>	<b>11</b>
<b>Total</b>	<b>50</b>			<b>-15</b>

$$\text{MEAN} = 7.5 + (-15/20) * 5 = 6\%$$

**Interpretation:**

People invest around 6% of their income.

**Table 13: Period of Investment in Mutual Funds**

Options	Frequency	Percentages
1-5 years	22	44
5-10 years	17	34
10-15 years	11	22
Total	50	100

Options	Frequency	Observed-expected	(Observed-expected) <sup>2</sup>	(observed-expected) <sup>2</sup> /e
1-5 years	9	2.67	7.1289	1.126
5-10 years	7	0.67	0.4489	0.0709
10-15 years	3	3.33	11.0889	1.751
total	19		18.6667	2.9479

$$\text{Chi square} = \sum \frac{|\text{observed-expected}|^2}{e} = 2.9479$$

Expected at df (2), the table value is 5.991 which is greater than the calculated value. Hence, **H<sub>0</sub> is accepted.**

**Interpretation:**

This shows that people normally tend to invest for longer term. There's not much of a difference between the various time periods.

**Table 14: Earlier Investments Mostly Done**

Options	Frequency	Percentages
Savings A/cs & PO schemes	<b>18</b>	<b>36</b>
Mutual funds investing in bonds	<b>6</b>	<b>12</b>
Mutual funds investing in stocks	<b>3</b>	<b>6</b>
Balanced mutual funds	<b>1</b>	<b>2</b>
Individual stocks & bonds	<b>5</b>	<b>10</b>
Ulips	<b>4</b>	<b>8</b>
Other instruments like real estate, gold	<b>13</b>	<b>26</b>
<b>Total</b>	<b>50</b>	<b>100</b>

**Interpretation:**

In the past maximum percentage of the respondents i.e. 36% of the respondents have invested in saving a/c's and po's.

**Table 15: Present Financial Situation**

Options (X)	Frequency ( f )	f X	f x <sup>2</sup>
Very unstable(1)	11	11	11
Somewhat unstable(2)	12	24	48
Moderately stable(3)	9	27	81
Stable(4)	10	40	160
Very stable(5)	8	40	200
Total	50	142	500

$$\text{Sample mean} = \frac{\sum fX}{\sum f} = \frac{142}{50} = 2.84$$

$$\text{Standard deviation, } \sigma = \sqrt{\frac{\sum f x^2}{\sum f} - \frac{(\sum f x)^2}{(\sum f)^2}} = 2.675$$

$$\text{Standard error} = \frac{\text{standard deviation}}{\sqrt{n}} = \frac{2.675}{7.07} = 0.3783$$

$$Z = \frac{|X_s - X_p|}{\text{S.E}} = \frac{|2.84 - 3|}{0.3783} = 0.4229$$

Since the calculated value is lesser than the table value at (.05) i.e. 1.96, **Ho is accepted.**

**Interpretation:**

The financial situation is moderately stable.

**Table 16: Comfort Level in Making Investment Decisions**

Options	frequency	Percentages
Low	14	32
Moderate	18	41
High	12	27
Total	50	100

**Interpretation:**

From the above table it is clear that 41% of the respondents are moderately comfortable in making investment decisions, 32% of respondents are low in marketing decisions, and 27% of respondents are high comfortable in marketing investment decisions.

**Demographics**

- 58% of people belong to 25-35 age groups and on the other hand only 17% of people belong to above 40 age group.
- 17% of the people are under graduate.
- 52% of the people are graduates, and
- 31% of the people are post graduates.
- 55% of the people are married.
- 45% of the people are unmarried.
- 31% of the people are having their own business.
- 31% of the people are salaried.
- 25% are professionals.
- 8% are housewives.
- 5% are retired.
- 24% of the people belong to below 1, 50,000 income group.
- 36% of the people belong to 1, 50,000 – 2, 50,000 income groups.
- 33% of the people belong to 2, 50,000 – 4, 00,000 income group.

- Only 7% of the people belong to above 4, 00,000 income group

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. Today each and every person is fully aware of every kind of investment proposal. Everybody wants to invest money, which entitles of low risk, high returns and easy redemption. In my opinion before investing in mutual funds, one should be fully aware of each and everything.

At the same time Ulips as an investment avenue is good for people who have interest in staying for a longer period of time, that is around 10 years and above. Also in the coming times, Ulips will grow faster. Ulips are actually being publicized more and also the other traditional endowment policies are becoming unattractive because of lower interest rate. It is good for people who were investing in ULIP policies of insurance companies as their investments earn them a better return than the other policies.

### Findings

- Highest number of investors comes from the salaried class.
- Highest number of investors comes from the age group of 25-35.
- Most of the people have been investing their money in the share market belongs to Rs.400000 and above income group.
- Mostly investors prefer monitoring their investment on monthly basis.
- Most of the people invest up to 6% of their annual income in mutual funds.
- Most of the people between the age group of 25– 35 invest their money in share market.

### Recommendations

The performance of the mutual fund depends on the previous years Net Asset Value of the fund. All schemes are doing well. But the future is uncertain. So, the AMC (Asset under Management Companies) should take the following steps: -

- The people do not want to take risk. The AMC should launch more diversified funds so that the risk becomes minimum. This will lure more and more people to invest in mutual funds.
- The expectation of the people from the mutual funds is high. So, the portfolio of the fund should be prepared taking into consideration the expectations of the people.
- Try to reduce fund charges, administration charges and other charges which helps to invest more funds in the security market and earn good returns.
- Different campaigns should be launched to educate people regarding mutual funds.
- Companies should give regular dividends as it depicts profitability.
- Mutual funds should concentrate on differentiating the portfolio of their MF than their competitors MF.
- Companies should give handsome brokerage to brokers so that they get attracted towards distribution of the funds.

### Bibliography

**Investment, Analysis and management** (Francis)

**Security Analysis and management** (Fischer & Jordan)

**Financial markets and institutions** (L.M. Bhole)

**Investment Management (SAPM)** (Preeti Singh)

[www.amfiindia.com](http://www.amfiindia.com) (Association of mutual funds in India)

[www.investorsguide.com](http://www.investorsguide.com)

[www.moneycontrol.com](http://www.moneycontrol.com)

[www.mutualfundsindia.com](http://www.mutualfundsindia.com)

[www.sbimf.com](http://www.sbimf.com)

[www.sebi.co.in](http://www.sebi.co.in)