A STUDY ON INVESTORS PERCEPTION TOWARDS SBI MUTUAL FUND IN SALEM CITY

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Abstract:

The Mutual Fund Industry in India was started with a humble beginning by establishing the Unit Trust of India in the year 1963, by the Government of India. "The main aim of the UTI was to enable the common investors to participate in the prosperity of capital market through portfolio management aimed at reasonable return, liquidity and safety and to contribute to India's industrial development by channelizing household savings into corporate investment". By the year 1993, UTI occupied nearly 80 per cent of the market share and developed manifold in terms of number of investors, investable funds, reserves with wide marketing network and efficient leadership. A mutual fund is an investment vehicle, which pools money from investors with common investment objectives. It then invests their money in multiple assets, in accordance with the stated objective of the scheme. The investments are made by an 'asset management company' or AMC. For example, an equity fund would invest in stocks and equity-related instruments, while a debt fund would invest in bonds, debentures.

Keywords: AMC, UTI, Unit Trust.

1. INTRODUCTION

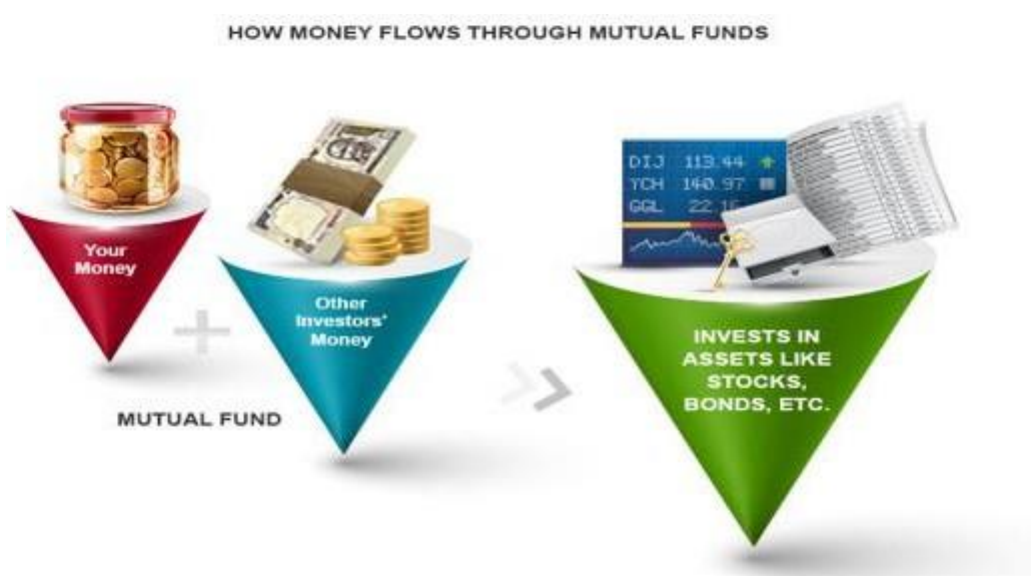

Fig.1.Mutual Fund Money Flow

The Chartered Financial Analyst had commented that, “Mutual Funds today form 1/10th of the banking industry’s size. If we compare this an indication in the current interest rate scenario, Mutual Fund has ample shelf-space to grow into an industry like the banking industry in India”. A competent fund manager should analyze investor behavior and understand their needs and expectations, to gear up the performance to meet investor requirements. Therefore, in this current scenario it is very important to identify needs of mutual funds investors and their preference for mutual funds schemes. In this study, the researcher has an objective to know perception of SBI mutual funds investors .The study will be immensely useful to the AMC'; s, Brokers, distributors and to the other potential investors and last but not least to academician as well. Indian mutual fund has gained a lot of popularity from the past few years. Earlier only UTI enjoyed the monopoly in this industry but with the passage of time many new players entered the market, due to which the UTI monopoly breaks down and the industry faces a severe competition. As the time passes this industry has become a buzz word in the Indian financial system.

2. RELATED WORK

So it is very important to know the investors’ perception about this industry. Investors’ opinion and perception has been studied relating to various issues like type of SBI mutual fund scheme, main objective behind investing in SBI mutual fund scheme, role of financial advisors and brokers, investors’ opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, etc. While investing in mutual funds, you are spoilt for choice. You have a number of mutual fund schemes to choose from, which may invest in a whole range of industries and sectors, different kinds of assets, and so on. You can find a mutual fund that matches just about any investment strategy you select. There are funds that focus on blue-chip stocks, technology stocks, bonds, or a mix of stocks and bonds. In fact, the greatest challenge can be sorting through the variety and picking the best for you. investigated perception of investor towards mutual funds with an objective explored the important aspects of Mutual Funds affecting the perception of investors and also examined the difference of perception of large and small investors on the basis of explored factors . Data for the study was collected from respondents residing in Bhubaneswar City of Odisha. As a result of factor analysis three factor namely investment, return and future was explored and through t-test it was proved that there is a difference of perception among the small and large investors with respect to ‘return’ and ‘future’ aspects of mutual fund. An investment is a commitment of funds made with the expectation of some positive rate of return. If the investment is properly undertaken, the return will commensurate with the risk the investor assumes. Different investment avenues are available to investors such as stocks, bonds, real estates, insurance policies, precious objects, and so on. Mutual fund is also one of the essential investment vehicle that offer good investment opportunities to the investors. Mutual fund is a trust that pools the savings of various individuals, which are then invested in capital market instruments such as shares, debentures, and other securities. It is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with stated objectives as disclosed in offer documents.

3. PROPOSED SYSTEM

Mutual funds go back to the times of the Egyptians and Phoenicians when they sold shares in caravans and vessels to spread the risk of these ventures. The foreign and colonial government Trust of London of 1868 is considered to be the fore-runner of the modern concept of mutual funds. The USA is, however, considered to be the Mecca of modern mutual funds. By the early - 1930s quite a large number of close -ended mutual funds were in operation in the U.S.A. Much later in 1954, the committee on finance for the private sector recommended mobilization of savings of the middle class investors through unit trusts. Finally in July 1964, the concept took root in India when Unit Trust of India was set up with the twin objective of mobilizing household savings and investing the funds in the capital market for industrial growth. Household sector accounted for about 80 percent of nation's savings and only about one third of such savings was available to the corporate sector. It was felt that UTI could be an effective vehicle for channelizing progressively larger shares of household savings to productive investments in the corporate sector.

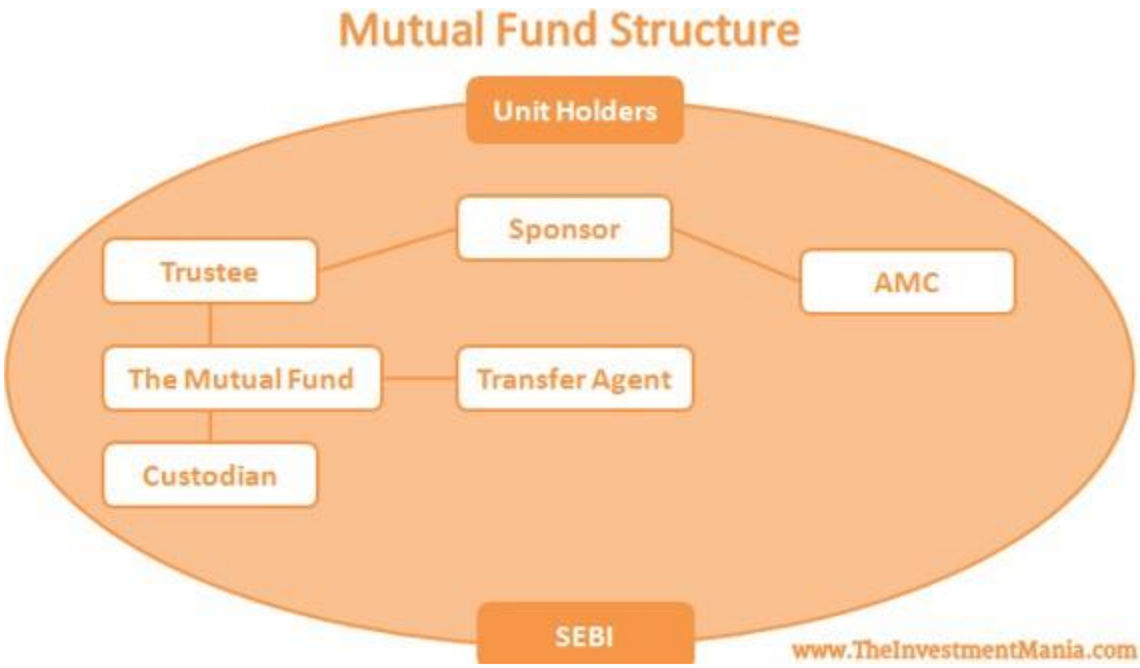

Fig.2.Strcture of Mutual Fund

The process of economic liberalization in the eighties not only brought in dramatic changes in the environment for Indian industries, corporate sector and the capital market but also led to the emergence of demand for newer financial services such as issue management, corporate counselling, capital restructuring and loan syndication. Even though a mutual fund diversifies its portfolio to reduce risk, they may eventually invest in a single type of asset. The risk of the fund varies with the kind of assets it is invested in. For this reason, check if the mutual fund fits your risk profile and investment horizon. For example, certain sector-specific schemes come with a high-risk, high-return tag. Such plans are suspect to crashes in case the industry or sector loses the market's fancy. If the investor is risk-averse, he could instead opt for a debt scheme with little risk.

4. ANALYSIS

AMC's are the investment manager of the trust. They take care of the everyday operation of the mutual fund and managing the investor's money as well. The AMC is appointed either by the Sponsor or the Trustee after getting the approval of SEBI. The Asset Management Company consists of the Chief Investment Officer, analytics, and the fund managers, who are together responsible for managing the different schemes started. The compliance officer makes sure compliance of all the actions of the AMC are in line with SEBIs laws and regulations. For example; Axis AMC is the Asset Management Company for Axis Mutual Fund. The incremental risks would be totally justified if they are commensurate with incremental returns. Investors should be more concerned about the risk adjusted returns of the fund. Sharpe Ratio is a measure of the risk adjusted returns of a fund. Sharpe ratio is defined as the ratio of excess return (i.e. difference of return of the fund and risk free return from Government securities) and annualized standard deviation of returns. Higher the Sharpe Ratio of a fund better is the risk adjusted returns from the fund. You will find the Sharpe Ratio of the fund relative to its category in the Key Performance and Risk Statistics table in the scheme details page. pension funds, have been pouring money into the country's capital markets.

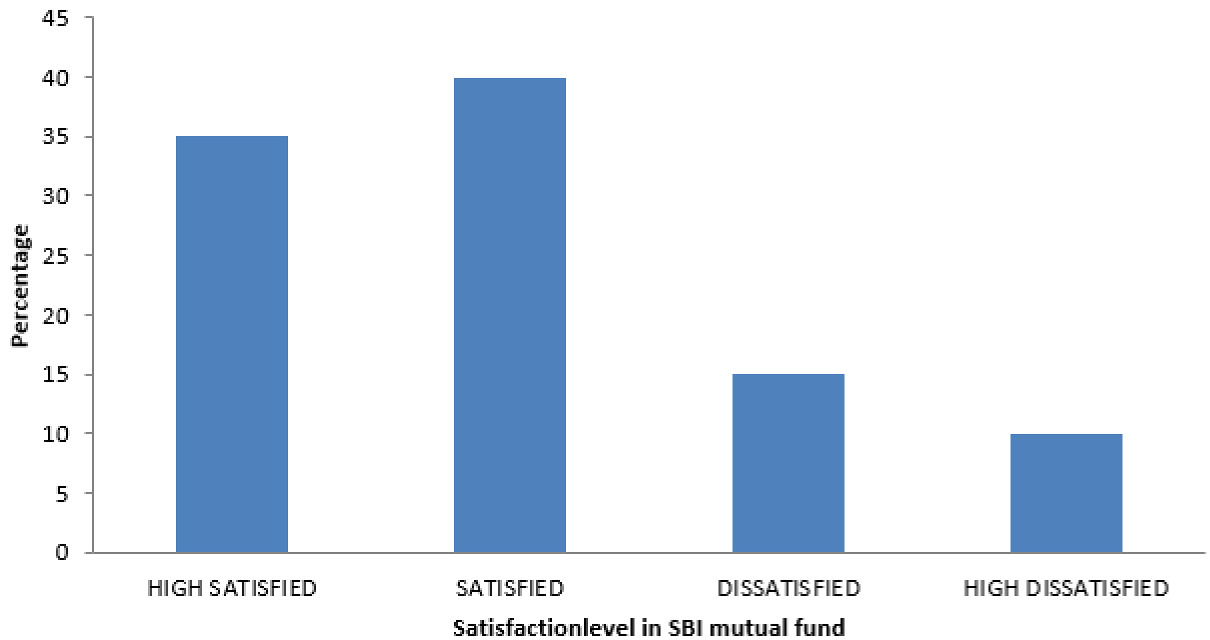

Fig.3.Mutual Fund Comparison

According to the Association of Mutual Funds in India (AMFI), mutual funds in the country have assets under management (AUM) of around $40 billion. In July, the industry grew by nearly seven per cent. AP Kurian, chairman, AMFI, attributes the growth in AUMs to the spurt in the stock market indices. Several funds have also been coming out with new fund offerings (NFOs).

CONCLUSION

The most popular are equity mutual funds, which are also the most lucrative, giving returns between 8 and 10 per cent a month, outperforming the Sensex (which gained nearly 5 per cent in July). A recent analysis of 113 equity-oriented schemes indicated an average return of 6.2 during the first fortnight of August. Can equity-tax saver, an equity fund, topped with a return of 13.81 per cent. It was followed by Taurus Star Share, which gave a return of 12.05 per cent. While mutual funds in India have succeeded in attracting retail investors, they are now looking at the overseas markets, targeting the affluent ethnic Indian community.

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