

# A Study of Mutual Funds in Stockholding Corporation of India Limited

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**Abstract –** The Indian mutual fund industry is a very large industry consisting of number of investors. In this era of competition different investor's have different investment objectives. As the human behaviour is unpredictable, this study helps in finding out the necessary facts regarding investors' opinion and perceptions regarding mutual fund investment. 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. Small investors face a lot of problems in the share market due to lack of professional advice and lack of information. Mutual funds have come as a much needed help to these investors. The study is to convince customers to take the Mutual Fund route for their investments instead of Fixed Deposits, Recurring deposit and Savings scheme. Both primary and secondary data has been used for achieving the objectives of the study.

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## INTRODUCTION OF MUTUAL FUNDS

Mutual fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Different investment avenues are available to investors. Mutual funds also offer good investment opportunities to the investors. Like all investments, they also carry certain risks. The investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions. The investors may seek advice from experts and consultants including agents and distributors of mutual funds schemes while making investment decisions.

## HISTORY OF COMPANY

SHCIL Services Ltd (SSL) is a SEBI registered Corporate Stock Broker providing safe and reliable

services to all institutional and retail clients across length and breadth of the country. SSL offers services in both Cash and F&O segment of BSE & NSE and Currency Derivatives segment of NSE. SSL started broking operations in July 2006. It has a large clientele base in retail segment. It has also wide clientele in institutional segment comprising leading domestic institutional investors, including Mutual Funds, Insurance Companies, Banks and other Financial Institutions. SSL strength lies in the operational synergies and leverage of the parent company Stock Holding Corporation of India Ltd. (SHCIL) which was incorporated at the special initiative of the Government of India as a public limited company in 1986 and is jointly promoted and owned by the all India banks and financial institutions, viz., IFCI Ltd, LIC, SU-UTI, GIC, NIA, NIC, UIC and TOICL. SSL is a broking arm of SHCIL.

## LITERATURE REVIEW

Vijay Kumar has explained in his study that Mutual funds have opened salutatory avenues for development of capital market and mobilizing saving. For their orderly growth, it is pertinent that he investor's interest should be protected. After investment, services of a high order and quality should be guaranteed. The encouraging public response the mutual funds reveals the potential of mobilizing the saving for the masses for industrial finance. The securities scam and the subsequent fall in the share prices have made the public reluctant to invest their saving in stock market and mutual fund can make use of this opportunity to mobilize the saving of the economy.

**Monika Dua** in her study explained mutual fund as the mutual funds industry in India is at the stage of infancy but is slowly and steadily progressing towards the stage of growth. And from the passage from growth to popularity it will be obvious to the investor in India that the industry has maximum potential and benefits to the investor. This combined with the ever-increasing players in the MF market promises to make it one of most exciting areas in the field of finance.

**Ms. Paramjeet Singh** has used the following words to explain Mutual Fund as The encouraging public response to the Mutual Fund reveals the potential of mobilizing the saving of the masses for industrial finance. The mutual fund need amendment and modifications with respect to have a uniform rules and regulations for governing mutual funds, disclosure of information, listing of mutual funds in stock exchange, disallowing private sectors in entering mutual funds business, removing urban biasness, limit of investment of a mutual fund company should be lowered.

**Ms. Mahesh Nayak** in his research work explained mutual fund as the typical equity investor in India is a seasonal investor, who tends to rush into a bull market and gets carried away with the good returns from diversified schemes, "say Hemant Rustabi, CEO, and Wiseinvest Advisors. This is perfect description and when the markets gets volatile, like now, or when it slides, the retail investor, trapped without an exit route, pulls out of equity altogether, opting to go with small saving, debt instrument and other assured return, low- risk avenues.

**Ms. Sandesh Kiskire** is one who explained Mutual fund in his own way and his words are:-Over the last few years, the Indian financial systems have undergone sea changes. The most remarkable of these is the evolution of investors' preference in favour of market-linked investment vehicles, as compared to conventional assured returns instruments. The same is evident from the fact that the asset under management with mutual funds (excluding UTI) have grown from about Rs.35000crore in March 2000 to over Rs.2, 07000crore in January.

## OBJECTIVES OF THE STUDY

The main objectives of the study are:

- The objective of the research is to study and analyze the awareness level of investors of Mutual Funds.
- To measure the satisfaction level of investors regarding mutual funds.

- To find out the how well I know the investors, what motivates them and how to capture them.

## RESEARCH METHODOLOGY

### Need of the Syudy

The need of the study is to track out the investors' preferences, priorities and their awareness towards different mutual fund schemes. Keeping in view the various constraints the scope of the study is limited only to the investors residing in Chandigarh. Dealing with customers provided me the opportunity to explore and apply my communication, marketing and Financial skills. I was responsible for taking decisions and guiding customers to choose the most appropriate mutual funds scheme for their investment depending upon the risk profile of customer and route by which they can invest in money i.e. SIP (Systematic Investment planning) or Lump sum.

The present study analyses the mutual fund investments in relation to investors' behaviour. Investors' opinion and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, role of financial advisor and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. This study is very important in order to judge the investors' behaviour in a market like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies.

### Data Collection Methods

For the purpose of the study two sets of data has been used that is:

#### 1. PRIMARY DATA

The first set of data is the primary data. The required data was collected by means of a structured questionnaire distributed among 150 investors spread over the city of Chandigarh.

#### 2. SECONDARY DATA

To gain an overview of the investor's perception towards mutual fund, secondary data has been an important source and was collected from net resources mobilized by banks and financial institution sponsored mutual funds, assets under management, investors mix etc. This type of data is collected from different investment NISM workbook, RBI reports, AMFI reports, SEBI annual reports;

securities market reviews, study of existing literature of different authors in the related field etc.

#### Tools Used for Data Analysis

- Percentage method
- Average method

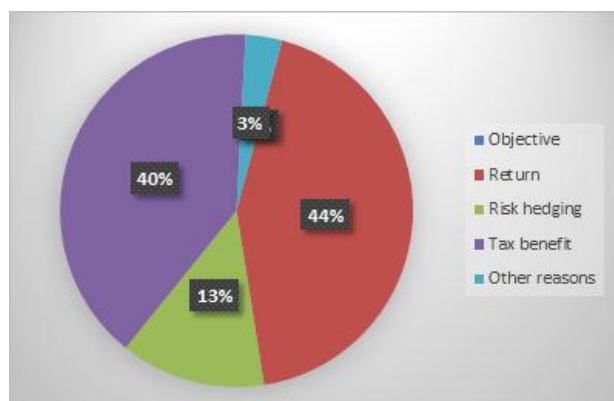
**SAMPLING AREA:** Chandigarh

#### ANALYSIS AND INTERPRETATION OF DATA

After a thorough study and analysis of the questionnaires of my consumer survey I have come across some important and useful findings. These findings have helped me in a great way to come to the conclusion part of my project work.

**Table no. 1: Profile of the Respondents Based on investment objective**

Objective	No of Respondent	Percentage
Return	52	43%
Risk hedging	16	14%
Tax benefit	48	40%
Other reasons	4	3%
<b>Total</b>	<b>120</b>	<b>100%</b>



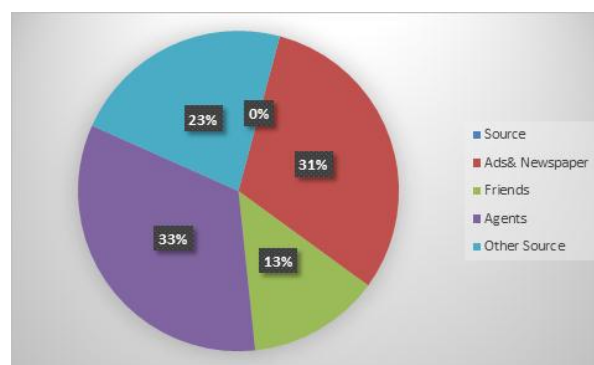
**Chart No. 1**

#### Interpretation

It has been found from the above table and chart that 44% of the respondents invest with the objective of getting returns.

**Table No. 2: Profile of the Respondents Based on Source of Knowing Mutual Funds**

Source	No of Respondent	Percentage
Ads& Newspaper	37	31%
Friends	16	13%
Agents	40	33%
Other Source	27	23%
<b>Total</b>	<b>120</b>	<b>100%</b>



**Chart No. 2**

#### Interpretation

From the above table and chart it is clear that most of the respondent's 33% source of knowing mutual fund is from agents.

**Table No. 3 : Profile of the Respondents Based on Reasons of Not Investing in Mutual Funds**

Reasons Not To Invest in Mutual Fund	No. of Respondent	Percentage
Risky Affair	64	53%
Do not know about MF	26	22%
Not so popular investment vehicle	20	17%
Others	10	8%

<b>Total</b>	120	100%
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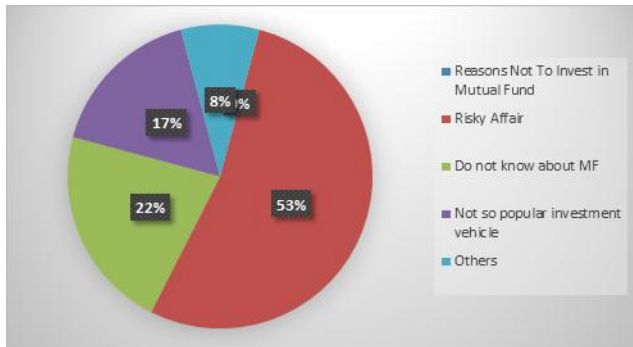


Chart No. 3

### Interpretation

The above table and chart depicts that most of the people don't want to invest in the mutual funds because it is considered a risky affair and people are afraid of losing money.

### CONCLUSION

We can infer from the analysis that the concept of mutual fund in this still in its growing phase. With the growing importance of mutual fund in the country, this place is witnessing the same rate of growth in mutual funds. Apart from these facts the following are some other important facts which can easily be inferred from the paper---

- Huge opportunities of Mutual funds exist in the Chandigarh. In short the market in this city is a growing market.
- As because many companies exist in this market, competition is cut to throat.
- Mindsets of the investors are not towards mutual funds. They still think of investing in traditional investment alternatives. Customers are not properly educated about the mutual funds.
- Few private sectors banks like ICICI, HDFC, UTI, ING VYSYA etc. sell mutual funds through their branches only
- Specialized agents of mutual funds are rarely seen. Financial advisors are not seen there who can educate the investors.
- Posters, banners or other promotional activities are rarely seen in this market.
- Mutual fund companies do not have aggressive strategies.

- Mutual fund investors are confined to the upper-middle and upper social class in this market. Upper-lower class and lower-upper class people are still untouched.

### RECOMMENDATIONS

After a thorough study and analysis of the data and information, the following are the few recommendations, if adopted, would definitely benefit the financial market in Chandigarh. The recommendation part of this research work has three parts only, which I feel can push the mutual fund market in Chandigarh to a higher level.

#### Market development:

My consumer survey in Chandigarh has revealed the fact that the market for mutual fund is still in its expansion stage. Hence the companies have to do a lot of things and activities to develop the market for mutual fund in this city. Market development means doing anything and everything for the growth of the mutual fund industry. Hence in the following ways the market of mutual fund in Chandigarh can be developed more significantly:

#### Awareness:

Awareness of mutual fund products must be increased in this city. The awareness can be enhanced in the following ways---

- Conference or seminars on —mutual fundsll can be conducted on regular basis. This will no doubt increase the awareness of mutual fund in the minds of the investors.
- All the companies must join hands and work together for this.

#### Customer education:

As the awareness of mutual funds is still improving in this market, companies should give focus on —customer educationll. For this purpose again the conference and seminars can be the best way towards educating the customers. Again free training program to the agents can be fruitful.

#### Government intermediation

Government must also work together with the mutual fund companies in promoting the concept of mutual fund in Chandigarh

#### Confidence building activities:

People in this city are not confident in investing their money in mutual funds. Hence there is a need to do something which will build the confidence in the minds of the investors. Hence the confidence

building activities must be carried out the mutual fund companies. Because most of the people in Chandigarh think that investing in mutual funds is a very risky affair. In the

#### **Handsome incentive:**

Push selling of mutual funds products must be stressed on. This push selling must be done through agents and financial planners. Handsome incentives and commission will no doubt motivate them to push sell the mutual funds

#### **Attractive schemes:**

As the maximum number of investors of mutual funds in this city are confined to the business class and upper social class category. Common people rarely invest in mutual funds. Hence the different attractive schemes can be launched to attract the common people towards mutual fund investment. These schemes are for promotional purpose only.

#### **Sponsorship of management events:**

As we all know that management institutes and universities and other educational institutes are the production houses of the business managers. The companies must cash this opportunities to make them know to the students and to the people who are associated with these institutes. Companies can sponsor some of the management events of these institutes. This will again lead to the communication of the products of the companies.

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