

An Empirical Investigation Into Investor Awareness of Modern Investment Avenues- A Case Study of Kharar, Punjab

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ABSTRACT

With the passage of time, financial assets have taken over physical assets with regards to investment by a common man. A survey analysis has been undertaken for 67 investors of Kharar in India to value their opinions about various modern financial instruments. The results highlight that not many investors are aware of mutual fund, their tax structure, indexation benefits offered by these schemes, capital gain taxes etc. The paper will also discuss the impact of various Government initiatives which has resulted in the growth of modern investment avenues. This research paper is an attempt to study the investor's perception with respect to different possible financial instruments preferred by the people in city of Kharar, Punjab (India).

Keywords: Mutual Funds, Investments, Financial, AMFI

INTRODUCTION

Investment is act of investing money in various avenues with the expectation of obtaining a return for taking care of different needs in life. Many of such needs are to be fit in a financial outlay, these financial needs can be further divided into two categories: investment needs which cater to the future financial goals and the other one is protection needs which cater to the management of contingent risk. The investment is mainly of two types- traditional investment and modern investment . Traditional Investment Avenues includes- Bank FD's, RD's, and Post Offices Scheme whereas the Modern investment includes- Mutual Funds, Shares, Bonds and Debentures. Modern investment Avenues are

growing at a fast pace in the economy as it offer more returns to the investors as compared to Traditional investment sources. But still in India people are not much aware about the modern avenues or they consider it a risky platform. The common have the feeling that they are happy with their money in traditional investment avenues and various government investment avenues because they consider it very difficult to grasp the modern avenues..Here comes the concept of Mutual Funds. Mutual Funds are the type of Modern Investment Avenues in which People invest their Money to get better returns. A mutual fund is a pool of investors' money invested as per pre-defined investment objectives. Since the benefits from such investment accrue to those who contribute to the pool: thereby reflecting mutuality in the contribution. Mutual funds create multiple range of products known as mutual fund schemes to meet the heterogeneous nature needs of the investors. The investment in mutual funds is further represented in the form of units that is why a mutual fund investor is also called a unit holder. Equity shares are issued to investors for the first time in Initial public offering, mutual funds are issued for the first time to investors in an NFO i.e, New fund offer. Some of the mutual funds are also listed and can be traded on the stock exchange. On purchase, the units are allotted and on sale, the units are redeemed. 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. Mutual fund transactions are user friendly and the investors are assigned a folio at the time of purchase of the units and transaction slips can be used to conduct various transactions. The most important aspect is that it is regulated by the SEBI and all the activities are investigate by them only, so we can say that the mutual funds schemes are well regulated and transparent. Investors can invest into the schemes without any worry.

OBJECTIVES OF THE STUDY

1. To understand the awareness levels about the modern avenues of investments amongst the respondents.
2. To study the relationship between annual income and investment patterns of the respondents.

REVIEW OF LITERATURE

Gaurav Agrawal and Dr Mini Jain (2013) studied about investors preference towards mutual funds in comparison to other investment avenues. The study covered Mathura location where most of the respondents preferred Bank savings and LIC savings followed by Mutual Funds.

Dr Binod Kumar Singh (2012) in his paper, titled “ A study on investors’ attitude towards mutual funds as an investment option” has discussed about the structure, operations of mutual funds, calculation of NAV etc. It has been observed that most of the respondents having lack of awareness about the various function of mutual funds.. Manoj Kumar (2013) has in research paper, “A Study of Customers’ Preference towards Investment in Equity Shares and Mutual Funds” has studied that real estate and gold are most preferred investment alternatives among various investment alternatives. Respondents are not much inclined towards post office investments; NSC, KVP etc. Lock in period works negatively for investors because premature withdrawal is not allowed. The investors cannot get the money during emergency situations. Investors prefer liquidity and return as an important criteria for investment consideration. Hence mutual fund and equity share are also considered as good investment alternatives.

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RESEARCH METHODOLOGY

The locale of the study is Kharar, Punjab. The researchers resorted to random sampling technique. For the present study, primary data was gathered, using the following methods:

- a) Through Interview method
- b) Through Questionnaire: structured questionnaire

Statistical Tools and Techniques Deployed: Pie charts, Bar Graphs and data tables and chi-square are used for data representation. For data analysis, statistical measures Chi-square is applied to study the relation between two variables

RESULTS AND DISCUSSION

Qualification and Gender

Out of 67 respondents sampled by the researchers, 57 are males and 10 are females.. A perusal of Table 1 shows that out of these 67 respondents, close to 85 per cent , i.e.57 respondents are males .The number of total graduates are 12 (18 per cent), post graduates are 9 (13 per cent), under graduates are 11 (16 per cent) ,others are 35 (52 per cent).

Table 1

Qualification and Gender, Kharar City

Qualification	Male	Female	No. of respondent
Graduation	12	0	12
Post Graduation	7	2	9
Under Graduation	9	2	11
Other	29	6	35
Total	57	10	67

Source: Survey, Kharar, March 2018

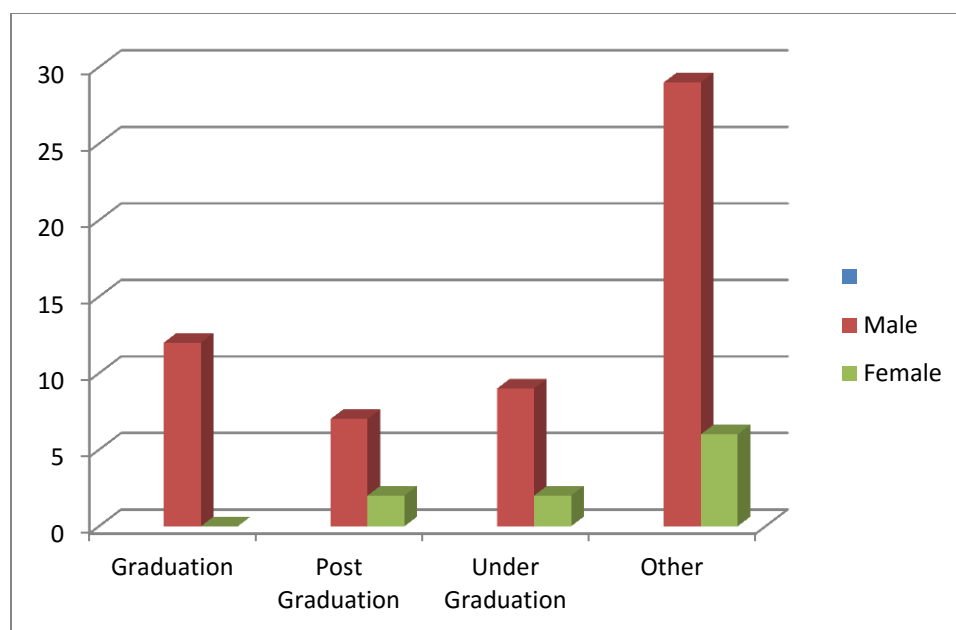


Fig. 1: Qualification and Gender, Kharar City

Occupation

A careful glance at Fig. 2 reveals that out of 67 respondents, 30 males (about 45 per cent) are doing businesses while the number of females doing business is zero followed by others i.e, 15 respondents (about 22 per cent) which mainly include self-employed jobs like doctors, lawyers etc.

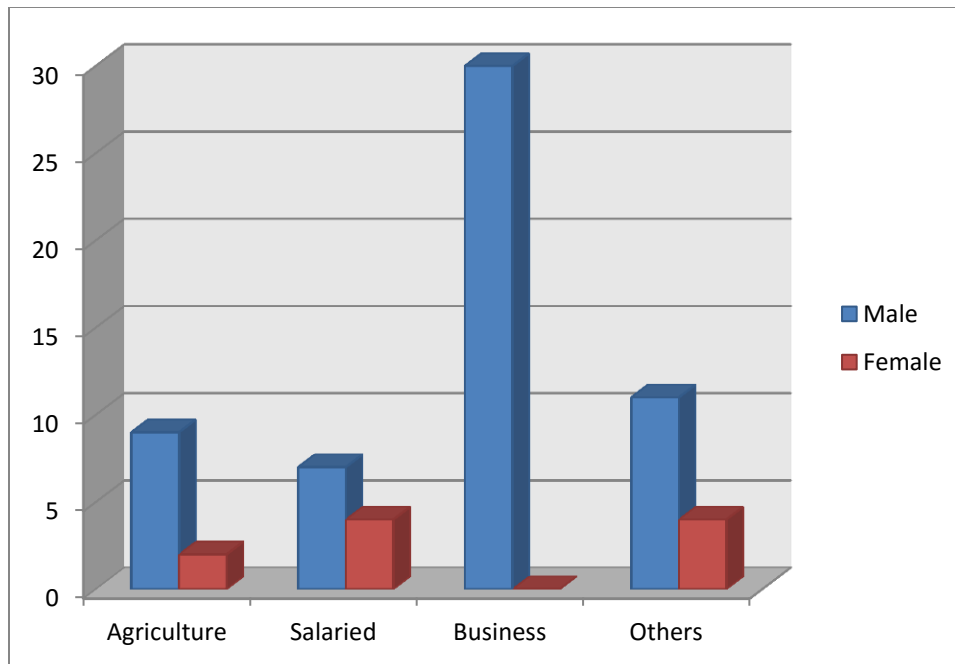


Fig. 2: A Distribution of Customers according to their occupation

Table 2

Distribution of Customers according to their occupation

Occupation	Male	Female	Total
Agriculture	9	2	11
Salaried	7	4	11
Business	30	0	30
Others	9	4	15
Total	57	10	67

Source: Survey, Kharar City, March 2018

Annual Income and Investment in Mutual Funds

Out of 67 respondents, 53 (79 per cent) were not investing in mutual funds, while 14 (21 per cent) were investing in mutual funds. (Table 3).

Table3

Annual income of respondent and Investment in Mutual Funds

Income(in Rs)	Invest in Mutual Funds		No. of Respondent
	Yes	No	
Nil	0	7	7
<3,00,000	5	32	37
3,00,000-5,00,000	4	10	14
5,00,000-10,00,000	3	4	7
Above 10,00,000	2	0	2
Total	14	53	67

Source: Survey ,Kharar City, March 2018

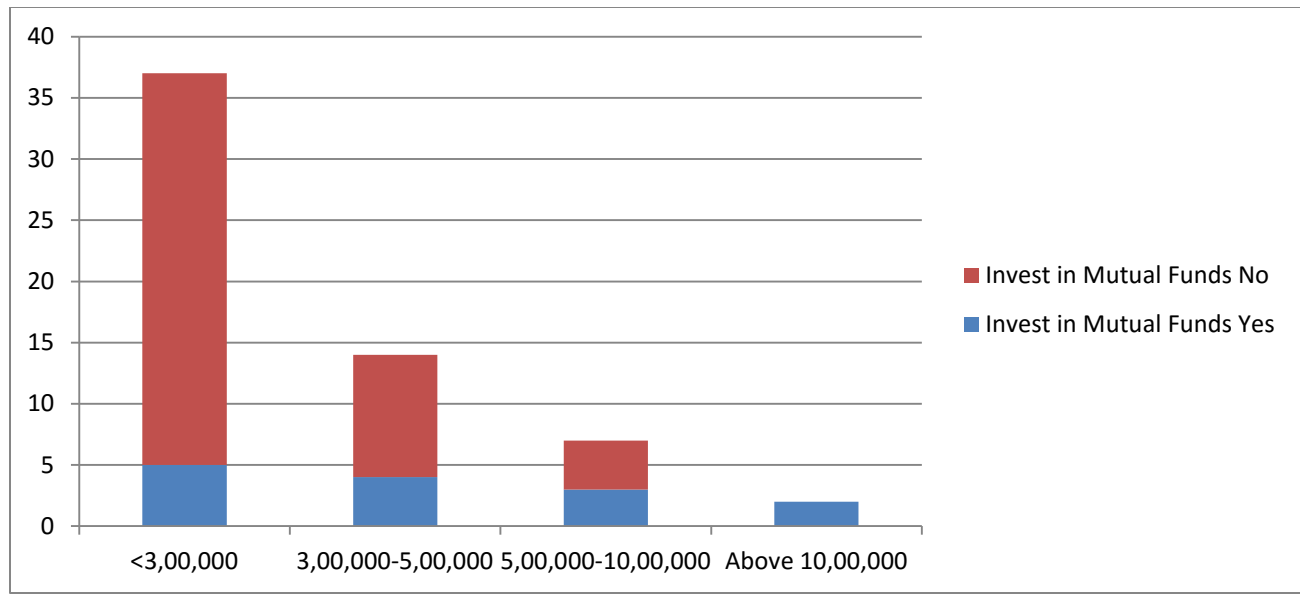


Fig. 3: Annual income of respondent and Investment in Mutual Funds

CHI-SQUARE ANALYSIS:

Chi-square was applied between these two variables using SPSS :

Null Hypothesis $H_{=0}$

1. There is no relationship between annual income and investment avenues.

Table 4: Case Processing Summary

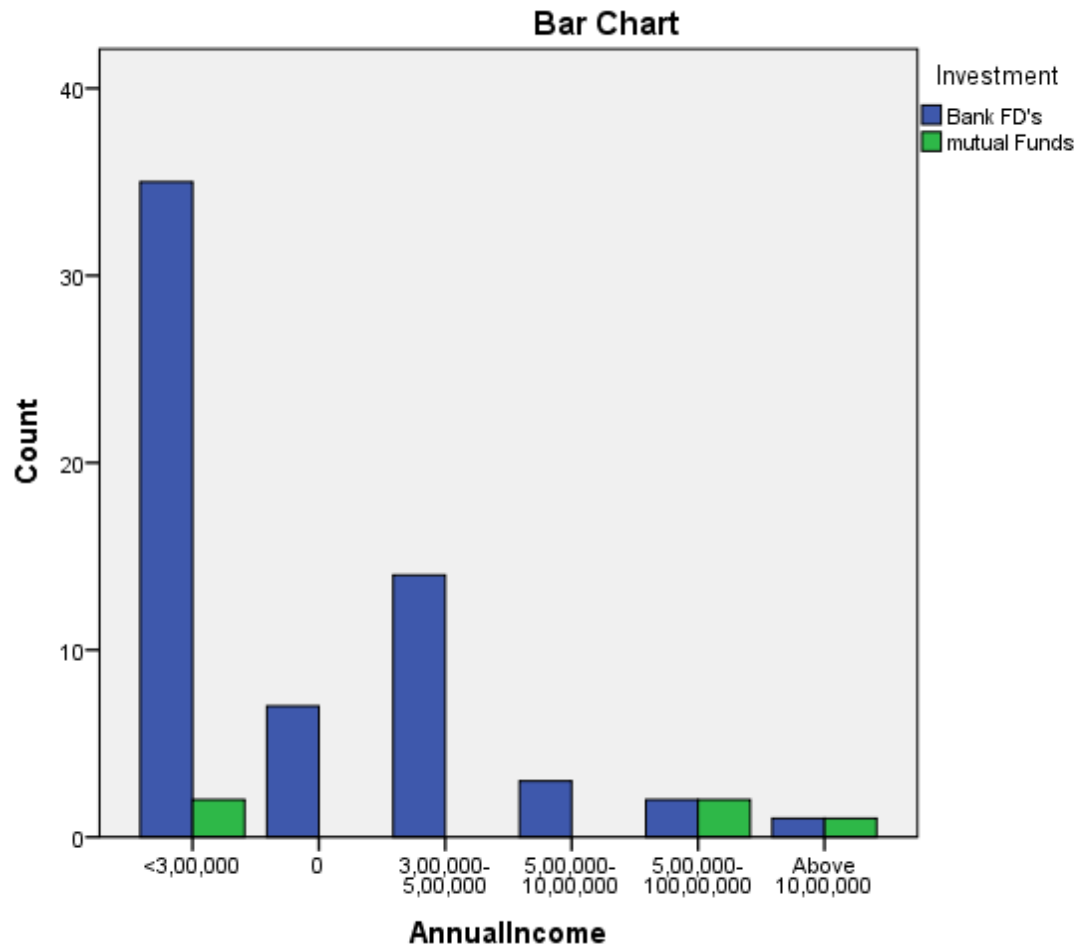
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Annual Income * Investment	67	100.0%	0	0.0%	67	100.0%

Table 5: Annual Income * Investment Crosstabulation

Count

		Investment		Total
		Bank FD's	mutual Funds	
Annual Income	<3,00,000	35	2	37
	0	7	0	7
	3,00,000-5,00,000	14	0	14
	5,00,000-10,00,000	3	0	3
	5,00,000- 100,00,000	2	2	4
	Above 10,00,000	1	1	2
Total		62	5	67

A clear perusal of Table 4 to Table 6 along with Figure 4 clearly depicts that the null hypothesis is rejected and it is established that in Kharar location out of the samples , there is a direct relation between annual income and investment saving habits.



(Figure 4: Relationship between annual income and investment avenues)

The p value obtained was .15 which is greater than .05. Therefore, Null Hypothesis is rejected. Hence, there is a direct relationship between annual income and investment patterns.

Table 6: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.883 ^a	5	.003
Likelihood Ratio	11.691	5	.039
N of Valid Cases	67		

a. 9 cells (75.0%) have expected count less than 5. The minimum expected count is .15.

CONCLUSION

It is pertinent to mention that majority of respondents are still preferring the traditional avenues of investment over modern investment avenues. According to the data from Association of Mutual Funds in India on total folios' of the investors registered with 42 fund houses, the number of folios increased to a record 7,13,47,301 at the end of March in 2018 from 5,53,99,631 at the end of March 2017, a gain of 1.59 crore. The research paper shows that there is a huge potential for sourcing of mutual fund business in Kharar city. In the budget 2018, when the Finance Minister announced imposition of LTCG on equity-oriented mutual funds in excess of Rs 100000/-, it has resulted in multiple family online trading accounts being opened by the educated strata of the society in order to save the taxation for gains upto Rs 100000. The LTCG in case of equity-oriented funds was earlier Nil. The mutual fund business can be made even more attractive by making the common man aware of ETFs which operates on the basis of a stock.

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