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## RISK, REDEMPTION AND INVESTOR AWARENESS: AN EMPIRICAL INVESTIGATION AMONG TIRUCHIRAPPALLI MUTUAL FUND INVESTORS USING FUZZY AHP APPROACH

### Article Particulars

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### Abstract

*The both Primary and Secondary data collection method was adopted. The researcher has done the analysis by using various analytical techniques namely Chi-Square Test and Average Method. The major aim of this research study to analyse risk, redemption and investor awareness among Tiruchirappalli mutual fund investors. The data were analysed by using appropriate research objectives and statistical analyses.*

**Keywords:** *Mutual Fund Investors, Risk, Redemption and Investor Awareness.*

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### Introduction

Mutual Funds have become a widely popular and effective way for investors to participate in financial markets in an easy, low-cost fashion, while muting risk characteristics by spreading the investment across different types of securities, also known as diversification. It can play a central role in an individual's investment strategy. They offer the potential for capital growth and income through investment performance, dividends and distributions under the guidance of a portfolio manager who makes investment decisions on behalf of mutual fund unit holders. Over the past decade, mutual funds have increasingly become the investor's vehicle of choice for long-term investment. It becomes pertinent to study the performance of the mutual

fund. The relation between risk-return determines the performance of a mutual fund scheme.

As risk is commensurate with return, therefore, providing maximum return on the investment made within the acceptable associated risk level helps in segregating the better performers from the laggards. Many asset management companies are working in India, so it is necessary to study the performance of its which may be useful for the investors to select the right mutual fund. A mutual fund is a common pool of money into which investors with common investment objectives place their contributions that are to be invested, in accordance with the stated objective of the scheme.

The investment manager invests the money collected into assets that are defined by the stated objective of the scheme. For example, an Equity fund would invest in Equity and Equity related instruments and a Debt fund would invest in Bonds, Debentures, and Gilts etc. The most important variable that decides whether you will meet your target or not is the nature of the actual investments. The first step in getting this right is to decide what kind of asset class you need to invest in. Asset class refers to debt or equity. This is the primary decision you will have to make.

### **Industry Profile**

The Indian financial system based on four basic components like Financial Market, Financial Institutions, Financial Service, Financial Instruments. All are play important role for smooth activities for the transfer of the funds and allocation of the funds. The main aim of the Indian financial system is that providing the efficiently services to the capital market. The Indian capital market has been increasing tremendously during the second generation reforms. The first generation reforms started in 1991 the concept of LPG. (Liberalization, privatization, Globalization) Then after 1997 second generation reforms was started, still the it's going on, its include reforms of industrial investment, reforms of fiscal policy, reforms of ex- imp policy, reforms of public sector, reforms of financial sector, reforms of foreign investment through the institutional investors, reforms banking sectors.

The economic development model adopted by India in the post-independence era has been characterized by mixed economy with the public sector playing a dominating role and the activities in private industrial sector control measures emaciated form time to time. The last two decades have been a phenomenal expansion in the geographical coverage and the financial spread of our financial system. The spared of the banking system has been a major factor in promoting financial intermediation in the economy and in the growth of financial savings with progressive liberalization of economic policies, there has been a rapid growth of capital market, money market and financial services industry including merchant banking, leasing and venture capital, leasing, hire purchasing. Consistent with the growth of financial sector and second generation reforms its need to fruition of the

financial sector. It's also need to providing the efficient service to the investor mostly if the investors are supply small amount, in that point of view the mutual fund play vital for better service to the small investors. The main vision for the analysis for this study is to scrutinize the performance of five star rated mutual funds, given the weight of risk, return, and assets under management, net assets value, book value and price earnings ratio.

### Literature Review

According to **Mr. Lalit K. Bansal**, "A Mutual Fund is better understood by the functions it performs and role it plays. It is a no depository financial intermediary. Mutual Funds are mobilizer of saving, particularly from the small and household sector, for investments in stock and money market. Basically, these institutions are professional fund managers, managing funds of individuals and institutions that may not have such high degree of expertise or may not have time sufficient to cope up with complexities of different investment avenues, legal provisions associated therewith and vagaries and vicissitudes of capital markets.

**A. P. Kurian** expressed his views saying about the role of intermediaries in the Indian Mutual Funds industry, "From the beginning, UTI and other mutual funds have relied extensively on intermediaries to market their schemes to investors. It would be accurate to say that without intermediaries, the mutual funds industry would not have achieved the depth and breadth of coverage amongst investors that it enjoys today. Intermediaries have played a pivotal and valuable role in popularizing the concept of mutual funds across India. They make the forms available to clients, explain the schemes and provide administrative and paperwork support to investors, making it easy and convenient for the clients to invest.

According to **Amitabh Gupta**, "There are two popular measures of risk that can be used in performance evaluation: (a) total risk and (b) systematic or non-diversifiable risk. The former can be measured by standard deviation of the returns distribution while the latter can be measured by beta. The choice of the risk measure depends on the fact whether the evaluation is to be done from the perspective of the investor or the portfolio manager. Note that the total risk of a portfolio can be diversified at two stages: First at the hands of the portfolio manager and second at the hands of the investor.

### Methods

It is a descriptive structure within which research should be conducted. Thus the preparation of such as design facilitates research to be as efficient as possible and will yield maximal information. The task of collecting data begins after a research problem has been defined and plan is chalked out. This study pertains to collection of data from primary and secondary sources. Data are collected for the first time for a specific

purpose in mind using the questionnaire method. Questionnaire through personal contact and telephone calls.

## Results and Discussions

**Table 1: Age Group of the Respondents**

S.No	Age Group	No. of Respondents	Percentage
1	Below 25 Years	0	0.00
2	25 - 50 Years	90	95.00
3	50 - 75 Years	10	5.00
4	Above 75 Years	0	0.00
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 1, it is clear that 95% of the respondents belongs to the age between 25 years to 50 years, 5% of the respondents are belong the age between 50 years to 75 years.

**Table 2: Occupation of the Respondents**

S.No	Occupation	No. of Respondents	Percentage
1	Business	148	74.00
2	Professional	0	0.00
3	Employed	52	26.00
4	Others	0	0.00
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 2, it is clear that 74% of the respondents are businessmen and 26% of the respondents are employed persons.

**Table 3: Educational Qualification of the Respondents**

S.No	Educational Qualification	No. of Respondents	Percentage
1	Schooling	51	25.50
2	UG	101	50.50
3	PG	48	24.00
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 3, it is found that 50.5% of the respondents are educated up to Under Graduation, 25.5% of the respondents have only school education

and 24% of the respondents are educated up to post-graduation.

**Table 4: Income Level of the Respondents**

S.No	Annual Income	No. of Respondents	Percentage
1	Below Rs.100000	130	65.00
2	Rs.100000 - Rs.200000	39	19.50
3	Rs.200000 - Rs.300000	20	10.00
4	Above Rs.300000	11	5.50
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 4, it is found that 65% of the respondents have below Rs.100000 of income, 19.5% of the respondent's income are between Rs.100000 – Rs.200000. 10%

of the respondent's income is between Rs.200000 – Rs.300000 and 5.5% of the respondent's income is above Rs.300000.

**Table 5: Investment Objectives of the Respondents**

S.No	Investment Objective	No. of Respondents	Percentage
1	High Income	3	1.50
2	Reasonable Income	75	37.50
3	Reasonable Income and Safety	81	40.50
4	For Future welfare	41	20.50
5	Retirement Protection	0	0.00
6	Tax Benefit	0	0.00
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 5, it shows that 40.5% of the respondents prefer reasonable income and safety, 37.5% of the respondents prefer reasonable income from investment, 20.50% of the respondents want future welfare and 1.5% of the respondents prefer high income.

**Table 6: Investment Portion of Income**

S.No	Investment Portion	No. of Respondents	Percentage
1	Below 25%	99	49.50
2	25% to 50%	59	29.50
3	50% to 75%	31	15.50
4	Above 75%	11	5.50
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 6, it is found that the 49.5% of the respondents invest below 25% of their income, 29.5% of the respondents invest 25% to 50% of the income, 15.5% of the respondents invest 50% to 75% of

their income and only 5.5% of the respondents are invest above 75%.

**Table 7: Risk Taking Capacity**

S.No	Risk Taking Capacity	No. of Respondents	Percentage
1	Low	34	17.00
2	Medium	110	55.00
3	High	56	28.00
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 7, it is found that 55% of the respondents have medium level of risk taking

capacity, 28% of the respondents have high level of risk taking capacity and 17% of the respondents have low level of risk taking capacity.

**Table 8: Investment Advice to the Respondents**

S.No	Investment Advice	No. of Respondents	Percentage
1	Friends	79	39.50
2	Family	29	14.50
3	Consultants	92	46.00
4	Others	0	0.00
	<b>Total</b>	<b>200</b>	<b>100.00</b>

From the table 8, it is found that 46% of the respondents got advice from consultants, 39.5% of the respondents got

advice from Friends and 14.5% of the respondents got advice from their family.

**Table 9: Awareness of Commodities Traded in Commodity Market**

S.No	Aware of Commodities Traded in Commodity Market	No. of Respondents	Percentage
1	Yes	52	100.00
2	No	0	0.00
	<b>Total</b>	<b>52</b>	<b>100.00</b>

From the table 9, it is clear that 100% of the respondents know of the commodities traded in the commodity market.

**Table 10: Awareness of Trading in Commodity Market**

S.No	Awareness of Trading in Commodity Market	No. of Respondents	Percentage
1	Total Awareness	2	3.85
2	Good Awareness	22	42.31
3	Awareness to Some Extent	24	46.15
4	Unaware	1	1.92
5	Totally Unaware	3	5.77
	<b>Total</b>	<b>52</b>	<b>100.00</b>

From the table 10, it is clear that 46.15% of the respondents have awareness to some extent in commodity market, 42.31% of the respondents

have good awareness about commodity market, 5.77% of the respondents are totally unaware, 3.85% of the respondents have total awareness, and 1.92% of the respondents are unaware.

**Null Hypothesis (H<sub>0</sub>)** : There is no close significant relationship between risk capacity and investment avenues.

**Alternate Hypothesis (H<sub>1</sub>)**: There is a close significant relationship between risk capacity and investment avenues.

**Table 11: Chi – Square Analysis for Risk Capacity and Investment Avenues**

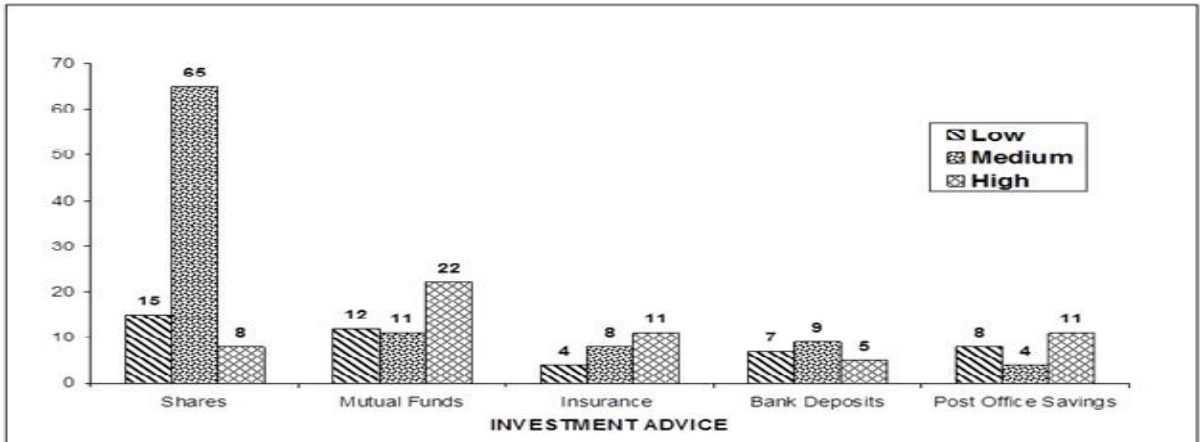
Investment Avenues Risk Capacity	Shares	Mutual Funds	Insurance	Bank Deposits	Post Office Savings	Grand Total
Low	15	12	4	7	8	46
Medium	65	11	8	9	4	97
High	8	22	11	5	11	57
Grand Total	88	45	23	21	23	200

**Table 12: Chi – Square Value**

Factor	Calculated Chi-Square Value	Table Value	Degree Of Freedom	Remarks
Risk Capacity	51.3447	15.507	8	Significant

It is noted from the above table that the calculated Chi-square value is greater than the table value. So, there is No Close relationship between Risk Capacity and Investment Avenues.

Chart 1: Chi – Square Analysis for Risk Capacity and Investment Avenues



Fuzzy AHP Approach

Table 13: Rating Scale

Rating	Definition	Rating given in Questionnaire
9	Row extremely more important	Right 9
8	Row very strongly to extremely more important	Right 8
7	Row very strongly more important	Right 7
6	Row strongly to very strongly more important	Right 6
5	Row strongly more important	Right 5
4	Row moderately to strongly more important	Right 4
3	Row moderately more important	Right 3
2	Row equally important to moderately more important	Right 2
1	Row and column equally important	Equal 1
0.5	Column equally important to moderately more important	Left 2
0.333333	Column moderately more important	Left 3
0.25	Column moderately to strongly more important	Left 4
0.2	Column strongly more important	Left 5
0.166667	Column strongly to very strongly more important	Left 6
0.142857	Column very strongly more important	Left 7
0.125	Column very strongly to extremely more important	Left 8
0.111111	Column extremely more important	Left 9

Pair wise comparisons are functional to all factors or component with reverence to their corresponding level.

**Table 14: Priority Weights**

Item No.	Item Number	1	2	3	4
	Item Description	Schemes	Mutual fund awareness	Investment options	Policies
1	Schemes		0.125	0.14286	0.14286
2	Mutual fund awareness	8.00		0.14286	0.125
3	Investment options	7.00	7.00		0.16667
4	Policies	7.00	8.00	6.00	

And then, priority weights surrounded by the elements in the ladder are established. All the Evaluation Factors (Criteria Or Attributes) And Their Corresponding Weights Are Presented.

**Table 15: Priority Weight of Criteria and Attribute**

Schemes	Mutual fund awareness	Investment options	Policies
37.00	30.13	22.29	14.43

The priority weight of criteria & attribute is calculated using the eigenvector method aforementioned

first, a pair wise comparison matrix is developed for each criterion, and then the resulting matrix is normalized to unify the result. To get main concern of a single criteria (or attribute, or alternative)-relative weights-pairwise comparisons are aggregated by averaging the corresponding values.

**Table 16: Consistency Table**

CR Value =	0.223	Not Consistent		
Item Description	Schemes	Mutual fund awareness	Investment options	Policies
Schemes		0.19712	0.14877	0.17064
Mutual fund awareness	5.07		0.30514	0.56098
Investment options	6.72	3.28		0.15735
Policies	5.86	1.78	6.36	

**Table 17: Best Criteria: Obtaining the Final Ranking**

Statements	Weights	Global Rank	Local Rank
Schemes	10.80%	14	4
Mutual fund awareness	16.30%	10	3
Investment options	23.40%	7	2
Policies	40.20%	3	1

The upshot of the analytical hierarchy process, which gives you an idea about that risk, redemption and investment awareness, Policies should be given more importance, Investment options constructs

are second important. Mutual fund awareness constructs third important aspect respectively.



## Conclusions

The study is made to find out the investors knowledge towards commodity market. The study reveals that commodity market is in a nascent stage in Erode. The investment avenues of individual investors depend mainly on annual income and risk taking capacity .The investors in Erode are not much aware of commodity market so proper awareness program should be conducted to improve the awareness level of investors. The following suggestions were found most of the respondents are not aware of products offered by commodity market. So, proper guidance can be given to them. This is to create awareness, a regular investor friendly seminar can be organized to suit the timings of the investing public, and For instance such seminars can be interactive sessions, arranged at frequent intervals. The newsletters published helps investors. Hence newsletters / bulletins can be published for guidance and Efforts to be taken to popularize commodity market through appropriate publicity measures.

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