



A Study Of Equity Mutual Fund Disinvestment; In Case Of Down Market (With Reference To Chhattisgarh State)

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Abstract

Mutual fund is a kind of investment. It is an expert financial intermediary through which investors can invest their saving into securities, so that return can be generated there after generated returns distributed to investors after deducting expenses related various heads of money investment expenses. There are 8.88 crore accounts in the mutual fund industry as at February 2020. 45 AMC are functioning in India by managing 267756152.35 crore INR, in the same period.

Mutual fund investments are subject to market risk. Equity fund are most volatile fund. Recently due to coronavirus global incident, global and Indian equity market fall significantly.

There is also impact on NAV of equity fund. There is need to study, if such down fall continue for a long time, will individual investors remain invested?

The study is conducted on the month of Jan –Feb 2020. Individual investors are studied; whose income level range are 3 – 7 lakh per annum. Sample is taken from three cities of the Chhattisgarh. Chi square test is conducted besides percentage analysis.

Keywords: Mutual fund disinvestment, Individual category, Chhattisgarh state, Chi Square test, February 2020.

1. Introduction to mutual fund

There are various means of investment like bank fixed deposits, bonds of development banks, post office deposits, shares, debentures, money market instruments, commodity market, gold, real estate etc. Mutual fund is also a mean of investment.

Securities and Exchange Board of India (Mutual Fund) Regulation 1996 define mutual fund as a fund established in the form of a trust to raise money through sale of units to the public or a section of the public under one or more scheme for investing in securities, including money market instruments.

We can say that mutual fund is an expert financial intermediary through which investors can invest their saving into securities so that return can be generated there after this return distributed to investors. The ownership of mutual fund is in hands of investors. It has a stipulated system of working which is controlled by many agencies so that working can be ensure in transparent way to achieve investment objectives.

Here are main features of mutual fund

- 1.1. Very low amount requires for investment
- 1.2. Fund management by expert people
- 1.3. Cost reduction
- 1.4. Product diversification
- 1.5. Liquidity
- 1.6. Tax consideration
- 1.7. Systematic investment plan
- 1.8. Systematic withdrawal plan
- 1.9. Easily handling document and updated information, etc.

2. Review of literature

- Soumyasaha and Munmun Day (2011) Investment depends on how efficiently it meets the investor's expectation. MF industry in India has a large unexplored market." Investor expectations about return on investment play role for remain invested or withdrawal of investment.
- Singh J. and S. Chander. (2006) "Interest rates on investments like public provident fund, national saving certificate, bank deposits, etc., are decreasing and small investors are searching alternative investment.
- Rajesh Trivedi et.al, (2017) concluded that financial literacy will bring huge success in Industry. It also helps to make judgment in the market where return on investment is declining.

3. Research Gap

Besides aforesaid references there is no study found for mutual fund investors opinion in case of decreasing NAVs of their investment. AMC's need inputs to access wider area of individual investors.

4. Objective of the study

"To know equity mutual fund investors' (individual-category), disinvestment opinion in case of declining equity market".

The equity natured mutual fund investors, whose income is upto 10 LPA are taken as sample.

Disinvestment is described as encashment of existing equity fund; lump sum or by installment and declining market is defined as

downing of BSE 30 index by minimum of 30% from the year's high and this situation continue for a month, minimum.

5. Usefulness of the study

Trend of the disinvestment among various age groups of investors can be known, in Chhattisgarh. This trend can be generalized for mutual fund industry. Such of the generalization has following uses

- There is huge amount of mutual fund invested in mutual fund industry. This amount is known as average assets under management. Since the area of study is limited upto equity fund, the amount of AAUM in equity fund in the month of February 2020 is

Scheme Type	Number of Scheme	AAUM in INR Crore
Open Ended	330	795495.44
Close Ended	115	33705.14

Study related to such amount of AAUM, speaks itself importance.

- Less than 10% Indian house hold invest in mutual fund. This study helps to understand equity mutual fund disinvestment pattern of individual investors; a component of household sector.
- The size of middle income group who earn 3-10 Lakh per annum likely to increase 37% to 46% by the year 2025. AMCs may get benefit by this study as their target group of investors.
- This study provides an input to AMCs for launching equity mutual fund.
- Investors expect a sustainable amount of investment. This study provides an input to AMCs to support such thought, by bringing new product.
- Individual investors share in AAUM is growing faster than that of industry share. This study will help for increasing individual investors' share, by understanding their disinvestment pattern in equity mutual fund.
- This study helps for deeper penetration into saving of individual investors, who choose equity fund.
- At present equity fund constitute 45% share of AAUM. Mutual fund industry targeted it to 50% of AAUM. This study helps to achieve this target.
- Mutual fund industry focuses on B30 category cities. In this category 90% population lives in. This study helps to spread mutual fund business.
- This study will help growth of mutual fund sector. That will ultimately benefits for larger economy.

6. About Chhattisgarh State

Chhattisgarh is 10th largest state in India. It has 2.55 crore population with literacy rate of 64.66%. Net state values add (base year 2011-12) is in the last three years beginning from financial year 18-19 was 2429.69 INR, 196.52 INR and 1945.86 INR billion. Per Capita Net State Domestic Product was 71581 INR, 68321 INR, 63791 INR beginning from financial year 18-19. Gross State Domestic Product growth

rate from 2011-12 to 2018-19 was 10.18% (CAGR) at current price. In the financial year 2018-19, Chhattisgarh contributed 130.61 billion INR towards asset under management that is on top 19th rank among State and UT list of country. Population wise top 3 cities of Chhattisgarh are Raipur 4063872, Durg-Bhilai 343872 and Bilaspur 266362.

7. Research Methodology

- Nature of research- Primary, Sampling method
- Universe of the Study- Chhattisgarh State
- Data Collection - Population wise top three cities of Chhattisgarh State are Raipur, Durg – Bhilai (Twin city), and Bilaspur
- Sample size – 383, from 3 cities.
- Method - Chi Square test for independence of attribute (Manifold Tabulation); percentage Analysis
- Hypotheses

H₀ - There is no difference among age group of investors for decision on disinvestment

H₁ - There is difference among age group of investors for decision on disinvestment

Chi Square test

Data Collected as (Actual data)

Age opinion	Up to 30	Up To 35	Up To 40	Up To 45	Up to 50	Up To 55	More Than 55	Total
Remain Invested	40	40	50	48	47	45	25	295
With Drawl	7	8	9	12	8	14	7	65
No Reply	2	5	3	3	2	6	2	23
Total	49	53	62	63	57	65	34	383

Data Should be (expectation)

Age opinion	Up to 30	Up To 35	Up To 40	Up To 45	Up to 50	Up To 55	More Than 55	Total
Remain Invested	40	40	50	48	47	45	25	295
With Drawl	7	8	9	12	8	14	7	65
No Reply	2	5	3	3	2	6	2	23
Total	49	53	62	63	57	65	34	383

Calculation for Chi square

Chi square = $\sum(O-E)^2 / E = 7.028$

Degree of Freedom= (Number of Row-1) x (Number of Column) =14 Standard value of Chi square on degree of freedom= 23

H₀ proved

Percent Analysis

Age opinion	Up to30	Up To 35	Up To 40	Up To45	Up to50	Up To55	More Than 55	Total
Remain Invested	82	75	81	76	82	69	74	77
With Drawl	14	15	15	19	14	22	21	17
No Reply	4	10	4	5	4	9	5	6
Total	100	100	100	100	100	100	100	100

8 Discussion

- There is no. difference among age group of investors for decision on disinvestment.
- In all 77% will remain invested if, equity market fall by 30%.
- There is no fixed pattern on age group wise decision of investors.

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