

## **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 corona virus 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 require 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. Objective of the study

“To know equity mutual fund investors’ (individual-category), disinvestment opinion in case of declining equity market”

Other aspects of objectives

2.1. Income group of investors- 3 -10 Lakh per annum

2.2. Meaning of Disinvestment

2.2.1. Encashment of existing equity fund; lump sum or by installment

2.2.2. Conversion of present scheme into another non equity scheme; lump sum or by installment

2.3. Meaning of declining equity market

If BSE 30 index will down by minimum of 30% from the year’s high and this situation continue for a month, minimum (an imaginary condition)

2.4. Meaning of equity fund

As per SEBI guideline equity mutual fund must have minimum 65% of investment in equity or equity related instruments

## 3. 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 generalization has following uses

3.1 There is huge amount of mutual fund invested in mutual fund. 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.

3.2 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.

3.3 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.

3.4 This study provides an input to AMCs for launching equity mutual fund.

3.5 Investors expect a sustainable amount of investment. This study provides an input to AMCs to support such thought, by bringing new product.

3.6 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.

3.7 This study helps for deeper penetration into saving of individual investors, who choose equity fund.

3.8 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.

3.9 Mutual fund industry focuses on B30 category cities. In this category 90% population lives in. This study helps to spread mutual fund business.

3.10 This study will help growth of mutual fund sector. That will ultimately benefits for larger economy.

#### 4. Review of literature

There is no study found for the future imaginative period. Mutual fund investors' disinvestment in this study is related to "no more risk". AMC's need different inputs to access wider area of individual investors. So reviews are

- 4.1. Soumyasaha and Munmun Day (2011) in their article "Analysis of Factors affecting investors perception of Mutual fund investment" published in The IUP journal of Management Research, April 2011 "Investment depends on how efficiently it has been able to meet the investor's expectation. MF industry in India has a large untapped market."  
Investor expectations play role for remain invested or withdrawal of investment.
- 4.2. Singh J. and S. Chander. (2006) in their article "Investors' Preference for Investment in Mutual Funds: An Empirical Evidence." Published in The ICFAI Journal of Behavioral Finance, 2006  
"Interest rates on investments like public provident fund, national saving certificate, bank deposits, etc., are falling, the question to be answered is: What Investment alternative should a small investor adopt?"  
It means investors study comparative return. Decision on disinvestment also depends upon investors' calculation on return.
- 4.3 Maheswari P.(2015) "An analytical study of the composition of personal portfolio" has concluded in his research that investors in the age group of 20 – 30 years, do not prepare or estimate or have enough knowledge about total expenses and savings. They neither record what is invested nor assess for their emergencies. They do not know the amount of money to be saved. Proper planning is not done."  
All Investors may are not rational. So at the time of declining market they may forget for to do what.
- 4.4 A Study of Investor's Perception Towards Mutual Fund Decision: An Indian Perspective, Rajesh Trivedi et.al, (2017) concluded that financial literacy will bring huge success in Industry. It also helps to make judgment in declining market.
- 4.5 As per BSE India, World Gold Council and Leading Bank FD rates, for the period ending 23/1/2018. Equity is one of the best performing assets class in long run. This study also helps to make judgment in declining market.

#### 5. About Chhattisgarh State-

Chhattisgarh is 10<sup>th</sup> 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 19<sup>th</sup> rank among State and UT list of country.

Population wise top 3 cities of Chhattisgarh are Raipur 4063872, Durg-Bhilai 343872 and Bilaspur 2663629.

## 6. Research Methodology

6.1. Nature of research- Primary, Sampling method

6.2. Universe of the Study- Chhattisgarh State

6.3. Data Collection - Population wise top three cities of Chhattisgarh State

6.3.1. Raipur

6.3.2. Durg – Bilai (Twin city), Chhattisgarh

6.3.3. Bilaspur

6.4. Sample size – 383, from 3 cities.

6.5. Method - Chi Square test for independence of attribute (Manifold Tabulation); percentage Analysis

6.5.1. Chi Square test

6.5.1.1. 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

6.5.1.2. Data Should be (Standard data/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

6.5.1.3 Hypotheses

$H_0$ . There is no difference among age group of investors for decision on disinvestment

$H_1$  - There is difference among age group of investors for decision on disinvestment

6.5.1.4 Calculation for Chi square

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

$$\text{Degree of Freedom} = (\text{Number of Row}-1) \times (\text{Number of Column}) = 14$$

$$\text{Standard value of Chi square on degree of freedom} = 23$$

$H_0$  proved

6.5.2 Percent Analysis

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	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

## 7 Discussion

- 7.1 There is no. difference among age group of investors for decision on disinvestment.
- 7.2 In all 77% will remain invested if, equity market fall by 30%.
- 7.3 There is no fixed pattern on age group wise decision of investors.
- 7.4 The reasons for “no reply” may be
  - 7.4.1 Investor can bear loss
  - 7.4.2 Will think, when situation will arise, etc,

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