A Comprehensive Study of Factor Influencing Investor's Perception Investing in Mutual Funds

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Abstract

Mutual funds are considered to be the best option for investment in this uncertain market. People invest in mutual funds through various methods for various reasons. It became important to investigate the factors affecting the investor's decision willing to invest in Mutual funds. Though investment in mutual funds is not free from risk, mutual funds industry is growing day by day. In this research paper researchers want to know the about the various motivating factors that attracts potential investors to invest in mutual funds so that mutual fund offering companies make proper strategy to attract more investment from the market.

Key Words: Mutual funds, NAV, Risk appetite, pool of money, decision making, investment, volatility of risk,

INTRODUCTION

The research process has two steps - namely- analysis and interpretation. Both the steps are related to each other. The object of analysis is to systematize, categorize and sum up collected data in order to understand and interpret by giving answers to the queries that activate the research. Interpretation searches for the wide meaning of the findings.

LITERATURE REVIEW

A good number of studies have already been conducted in India and abroad considering different aspects related to Mutual fund.

J.Lilly and Dr. Anasuya (2014)[1] conducted a research entitled, "An empirical study of performance evaluation of selected ELSS mutual fund schemes" published on International journal of scientific research (2014) found that the LIC NOMURA Mutual Fund Growth scheme got the maximum returns with high risk when compared with other schemes by applying the formula given by Treynor Ratio, Jensen's alpha measure, Sharpe Ratio and Sortino Ratio on 49 selected tax saving schemes ELSS

Lonnie L. Bryant & Hao-Chen liu (2011)[2] conducted a research entitled "Mutual fund industry management structure, risk and the impacts to share holders" published in Global finance journal (2011), researchers investigated that Sharpe Ratio helps in managing the volatility of risk in management of multiple funds. Researchers also investigated by doing survey on 1480 funds managed by 407 managers on the fund risk volatility and impact on the mutual fund management. They also suggested that these types of managed funds structure works on economies of scale and reduce cost of the shareholders and fund managers which attracts them for various strategic reasons.

Shanmugham and Ramya (2000)[3] conducted a survey of individual investors to find out the various information sources that attract individual investors to invest in mutual funds. So the factors which are reveals by the researchers are economical, sociological and psychological factors which control investment decisions.

Madhusudhan V. Jambodekar (1996)[4] reveals in his research regarding identification of various factors that helps the investor to take decision regarding investment in the mutual funds and to appraise the direction of mutual funds. According to this research the most favorite mutual funds schemes are open – ended, incomes schemes etc. Most of mutual investors preferred open – ended schemes over closed – ended schemes. The information source regarding investment related information is got by newspaper.

P. Alekhya (2012)[5] Mutual funds are a perfect way to diversify one's investment portfolio without losing much and with smaller risks. The performance of this fund will depend on the performance of the underlying portfolio. Thus portfolio diversification will play a key role as well. It is important for investors to determine how to their investment choices, so that they can be fair and rational. By analysing 3 year results, the paper analyses performance of investment vehicles, and rates them according to variables suggested by Sharpe, Treynor, and Jensen.

Chawla, C. and et. al. (2013)[6] In this current age, new developments appear in nearly all areas. Taxpayers will also e-file their taxes online. This is a current effective practice in e filing. These saves you time, money and stress and also reduce the cost. The taxpayer is asked to use e-filing system and e-payment service. This study shows that many individual tax payers are satisfied with the available e-filing facilities but there is a lack of sufficient knowledge about the process of filing taxes online.

Kansal, A. (2007)[7] It was argued in this article that growing the amount of exchange results in the accelerated increase of the back office activity, thus reducing the growth capacity of brokers and hence the physical form of holding and selling shares is a bottleneck for communities in capital market operations.

STATEMENT OF THE PROBLEM

Mutual fund companies are offering many schemes which provide various benefits to the investors. This research paper is an attempt to analyze about the factors that affects the investment decisions related to mutual funds with regard to urban, semi urban and rural investors. It also cast a light on investor's perception and awareness towards Mutual funds.

OBJECTIVE OF THE STUDY

• To analyze influencing factors of retail investors regarding investments decisions Mutual funds.

• To study the investors opinion and inclination towards Mutual funds.

SOCIO-ECONOMIC PROFILE OF RESPONDENTS

DEMOGRAPHIC PROFILE OF RESPONDENTS: Data was collectedrandomly among those who have invested at least once in any of investment options, from the three segments rural / Semi Rural, semi urban and urban areas. A total 300 filledquestionnaires from each segment were received equal and further used for analysis.

SCOPE OF THE STUDY

This research paper is limited to the study of few selected factors and their effect on retail investors from various segment in their investment on mutual funds. It also analyze retail investor's perception towards the mutual fund industry .The study is limited to Delhi NCR.

RESEARCH METHODOLOGY

RESEARCH DESIGN:-

In this study descriptive research method is used for obtaining complete and accurate information. It includes surveys and fact finding enquiries by preparing questionnaire.

HYPOTHESIS:
The research is examined through the following hypotheses:

1. H0: Dividend does not have a positive influence on investor investing in Mutual funds.

2. H0: Capital appreciation do not have positive influence on investor investing in Mutual funds

3. H0: Safety does not have positive influence on investor investing in Mutual funds.

4. H0: Liquidity does not have positive influence on investor investing in Mutual funds.

5. H0: Tax Benefits do nothave positive influence on investor investing in Mutual funds

Table No.-1

Table showing Dividend as a factor for influencing the Decision of Investor

Respondents	Urban	Semi -Urban	Rural	Total

Number of respondents	100	100	100	300
Mean	5.6333	5.3000	5.6832	5.5389
S.D	1.26800	1.10307	1.11102	1.17344

H0: There is no significant impact of dividend on investment decision of investor between urban, semi urban and rural respondents.

One invests in Mutual fund to get return. When respondents were asked about the role of dividend as a factor to affect their investment decision in mutual fund than almost all of them gave high importance tothe dividend as a factor of decision making for the investment in mutual funds. Average rating was 5.8on the scale 1 to 7 and standard deviation from mean was 1.173. Respondents from each are was selected as 100 in numbers the mean of respondents from urban area was some where about 5.633 and standard deviation was 1.26 and rural (M= 5.68, SD = 1.11) gave more importance to thedividends than semi urban respondents (M= 5.3, SD = 1.10) and result shows that null hypothesis is rejected and the difference was significant (F (2,297) = 4.97).

Table No.-2

Table showing capital appreciation as a factor for influencing the Decision of Investor

Respondents	Urban	Semi -Urban	Rural	Total
Number of respondents	100	100	100	300
Mean	5.3667	5.5944	5.7000	5.5537
S.D	1.35325	1.00110	0.93295	1.11778

H0: There is no significant difference between impact of Capital Appreciation on decisionof investment by urban, semi urban and rural respondents.

Capital appreciation is the prime factor and become base for any investment.More over financial stability will be stronger when there is an appreciation in the capital. Respondents from various areas were asked does capital appreciation influence their investing decision. The response was a little bit mixed. Capitalappreciation affects the decision of investment (M=5.5, SD= 1.11). Mean score of affectsof capital appreciation on decision making of respondents from different location wassignificantly different (F (2,537) = 4.23,). Mean score for rural respondentswas highest (M= 5.7, SD= 0.93) followed by Semi urban (M= 5.59, SD= 1.00) and ruralrespondents (M= 5.36, SD= 1.35). Hence null hypothesis is rejected and there is significant difference between the respondents of different area.

Table No.-3

Table showing Safety as a factor for influencing the Decision of Investor

Respondents	Urban	Semi -Urban	Rural	Total
Number of respondents	100	100	100	300
Mean	5.3833	5.7889	5.8647	5.6796
S.D	1.11503	1.00828	1.06431	1.08247

H0: There is no significant difference between impact of Safety on decision of investmentby urban, semi urban and rural respondents.

While investing money, safety concern comes first in the mind to make the decision ofinvestment. Respondents from each segment rated averagely more than 5 on the scale of 1 to 7. Respondents from the rural area (M= 5.86, SD = 1.06) was more concern about the security than urban (M= 5.3, SD=1.11) and semi urban (M= 5.78, SD = 1.06)respondents. Results shows that there was statistically significant difference between themean score of responses from each segment (F (2,537) = 3.95, p = 0.02).

Table No.-4

Table showing Liquidity as a factor for influencing the Decision of Investor

Respondents	Urban	Semi -Urban	Rural	Total
Number of respondents	100	100	100	300
Mean	3.9111	4.1278	2.9667	3.6685
S.D	2.13324	1.85518	1.97724	2.05114

H0: There is no significant difference between impacts of Liquidity on decision of investment

By urban, semi urban and rural respondents.

For making any investment one need the money. Liquidity may be a reason for hindrance in decision making of investor. In the rural area it is observed that maximum people keep the cash, so there is not much problem in decision making of investment due to liquidity issue. Mean score of respondents fromthe rural area was (M=2.9, SD = 1.97) minimum. Semi urban respondents were mostconcern towards the liquidity (M=4.1, SD=1.85). There was significant difference inthe mean score of respondents of different segments (F (2,537) = 17.25, p = 0.00). Hence null hypothesis is rejected.

Table No.-5

Table showing Tax Benefits as a factor for influencing the Decision of Investor

Respondents	Urban	Semi -Urban	Rural	Total
Number of respondents	100	100	100	300
Mean	3.5611	3.5778	2.7500	3.2963
S.D	2.08255	2.01379	1.93721	2.04522

H0: There is no significant difference between impact of Diversification of asset holdingon decision of investment by urban, semi urban and rural respondents.

Normally it is considered that tax benefits impact more the decision of investment. Datareveals that people are concern but not too much about the tax benefits. Rural consumerswere least concern about the tax benefits (M=2.7, SD=1.93) and semi urban and urbanwere concerned almost similar level of tax benefits. There was statistically significantdifference between the

mean score of responses from different segments on impact of taxbenefits on the decision making on investments (F (2,537) = 9.95, p = 0.00). Null hypothesis is rejected.

SUGGESTIONS AND RECCOMENDATIONS

- The mutual fund product should be designed and crafted in such a manner to be introduced in such a manner to give a feel of innovative products so as to improve the scope of the mutual funds market.
- The need and preferences of each segment of investor is different so the mutual fund product must be designed to cater the need of each segment of investor.
- For increasing the trust and loyalty among various types of investors, complete and proper information must be communicated to them.

Conclusion:

From the above analysis and interpretation of the facts and figures it can be concluded that mutual fund is entirely a new phenomenon for beginners and investor from each selected segment i.e. from urban, semi-urban and rural the concept is almost same and the factors are somehow equally influencing the investment pattern of the investor. Still it is found that in rural area people are more influenced by the dividend factor as compare to other segment, the same situation is also there in case of capital appreciation. Whereas liquidity influence the semi-urban people more as they are not sure about the sudden situation and want to ensure the high liquidity before making any investment.

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