

Buying Behavior of the Investors towards Mutual Fund

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ABSTRACT

Indian financial market is constantly getting aggressive. The changes in the financial instrument are required to maintain the equilibrium in the demand aspect of the investor. Investors were need of the instrument which satisfies their objective and motto of the earning maximum return with the low risk. Mutual fund is the solution to the investor which provides the opportunity of investing with low risk. The proposal provides new insight to the investor. The data was collected from the people living in Udaipur. A sample of 201 was considered for applying various tests. The reliability and Validity of the data is checked to apply various test like Factor analysis, Regression, Correlation. The research focuses on various factors like liquidity, alertness, experience and demographic. The study concluded that people are aware about the mutual funds still they are not investing in mutual funds because of their bitter past experience, lack of knowledge, lack of confidence, difficulty in selection of scheme, inefficient investment advisors. Various factors like risk, liquidity, mode of investment, schemes of the investment, safety, profitability, satisfaction and Income will affects the investment decision.

Keywords: Financial Instruments, Investors' Decision, Risk Return

I INTRODUCTION

In year 1822 King William of Netherland came up with the first mutual fund in the world "Socioete Generale de Belique". Investment in the mutual fund is not a new concept. The concept emerges in India when UTI was setup in 1964 by an act of Parliament. India have world highest saving rate which is over 23 percent. The highest saving rate will not lead to the economic development of the country. Government has channelized the ideal and unproductive saving in currency or physical assets for economic development. It has lead to establishment of Mutual Fund Industry. The remarkable change was witness during the eighties and nineties. The seeds of change was penetrated by Sri T. Krishnamachari understood the need of catalyze the saving of household. Mutual fund is a lake of money with different investment goals and objective. . Mutual fund helps in channelizing the saving of the small investor. The objective of the individual helps in deciding the scheme and pattern of investment. Every individual across the globe are investing in the securities as it diversify and reduce the risk. Mutual funds are fruits for the investors who are not able to direct the saving towards wealth maximization. It is trusted pools which attract many people to accomplish their goals. In last 10 years Industry has seen six fold increments in AUM. Many Indian pcople arc still away from the mutual fund industry due to inadequate knowledge, fear of losing money etc. Still for retail investors it is the favorite and adopted practice in India. There is around 44 AMC's which are operating in India and the number is rising with the several merger and acquisition. Mergers with the foreign mutual funds have enlarged the houses of mutual fund. A static

growth is seen in the mutual fund industry by the entry of private as well as commercial players. In order to regulate the industry SEBI (Securities and Exchange Board of India) was formed with the objective of protecting the interest of investors, regulate and develop the security market. The trust in the regulatory body has built a strong foundation for the industry. Various factors like risk, return, liquidity, consistency, knowledge which affects the investor decision.

II LITERATURE REVIEW

Warren Buffett said "Risk comes from not knowing what you are doing". Investment is the process of forming the cash in both financial and real assets. Investment is the coin with two faces risk and gain. Higher risk leads to higher the gain. India is having 23 percent of the saving rate which is much greater than other country all over the world. The higher ratio of saving doesn't lead to develop the economic development of the country. The pattern of holding the saving should be changed and diversified which will create a ideal and unproductive funds into productive funds. The government has taken the steps towards the mutual funds to channelize the funds for the economic development of the country. Priyanka Sharma and Payal Agrawal (2015) study reveal that perception of the investor is totally dependent upon the demographic factors. The demographic factors affect the investment decision of the investor. Liquidity and transparency has a higher impact in selecting an investment.

Parihar B B S, Sharma R and Parihar D.S (2009) analyzed the age, gender and income of the respondent with their attitude. Desigan G, Lalaiselvi S and Anusuya L (2006) studied the perception of women investor and concluded that they hesitate to invest in mutual funds as they lack knowledge and have a fear of loss. Another researcher Peggy D Dwyer, James H Gilkenson and John A List (2001) stated that women are less risk taker and have less preference to invest in mutual funds.

Binod Kumar Singh (2012) investigated the impact of demographic factors which affect their investment decision. In 2011 SimranSaini and BimalAnjum studied the types, objective, level of satisfaction and challenge to understand the perception of the consumer. The study of R. Vasudevan & Peermohaideen (2012) stated that investor anticipate the risk as a underperformance of the funds and also states that risk and return of the investment is medium which doesn't provide much satisfaction to the investors. Singh and Jha (2009) studied the awareness & acceptability of mutual funds and concluded that people are more moving towards the mutual fund scheme as they provide better returns as well as liquidity to withdraw the cash as and when required. D. Rajasekar (2013) concluded the study by taking various parameter which are involved in decision making and influence the perception of the investor whereas Vipin Kumar & Preeti Bansal (2014) found that maximum number of investor are dependent upon the agent and brokers to invest in mutual fund. Subramanya PR (2015) found the correlation between demographic factor and saving habit of the investor which stated that age of the people plays an important role in saving habit of the person. Young age people are less concern about saving as compare to the middle and upper age people.

Mukesh. H. V.(2015) had analyzed the perception of the people related to return, SIP, tax benefit and capital appreciation and found that they are not aware about the benefits of investing in mutual funds which will help in taking tax benefit. Preeti Khitoliya (2014) found that people of age group 35-44 who are intended to invest in the mutual funds at moderate risk and a similar flow is seen in mindset of 25-43 age group people but a opposite trend was seen in the mindset of the people who are above the 45 age

group. Their need is to have a guarantee and safety return on the principal amount which balance and grow the funds. K.Lakshman Rao (2011) founde that people of age group less than 20 and greater than 60 are unaware about various plans and scheme of the mutual funds. The unawareness leads to reduction in the number of investor. The investors are comparative less as compare to 31-50 age groups.

Singh and Jha (2009) studied the awareness and acceptability of the mutual funds and level of awareness for the Systematic Investment Plan and found that the preference for the mutual fund is because of the potential return, safety and liquidity of the funds but still people lack the awareness for the SIP scheme and plans. V Rathnamani (2013) investigated the investors and found that investors invest with the motto of having higher gain at low risk, safety and liquidity.

III OBJECTIVE OF THE STUDY

Researcher aims at knowing the perception of the people for the mutual funds. Objectives are framed to know the various factors that affect the mutual fund industry. The research was outlined to find the answer of following:

- (a) To analyze the factors that influences the investors' choice for mutual funds.
- (b) To study the effect of demographic variable on their investment pattern.
- (c) To study the level of awareness for mutual funds.

On the basis of above objective hypothesis are framed:

H01: Risk, Liquidity, mode of payment, scheme, profitability, satisfaction, safety and Income has a direct impact on mutual fund purchase decision.

IV RESEARCH METHODOLOGY

- (a) **Sample Characteristic:** A sample of 201 is drawn to conduct the study that are of different gender, age and occupation. The descriptive analysis was performed with the SPSS V.24 software.

Table No. 1
Demographic Variables

Gender		Frequency	Percent	Cumulative Percent
	Male		132	65.67%
Female		69	34.33%	100.0
Total		201	100.0	
Age		Frequency	Percent	Cumulative Percent
	0-20	12	6%	6.0
20-40	96	48%	54.0	
40-60	80	40%	94.0	
60 & above	13	6.46%	100.0	
Total		201	100.0	
Area		Frequency	Percent	Cumulative Percent
	Rural	51	25.5%	25.5
Urban	90	45%	70.5	
Semi urban	60	29.5 %	100	
Total		201	100	
Income		Frequency	Percent	Cumulative Percent
	Below 500000	46	22.9	22.9
500001-1000000	96	47.8	70.6	
Above 1000000	59	29.4	100.0	
Total		201	100.0	

*Source: Author has calculated value via SPSS on the basis of data collected

- (b) **Measure:** A structure questionnaire was designed on the basis of Likert five scales to measure the factors which affect the investor decision in investing mutual funds. The seven factors were studied risk, mode of investment, scheme, profitability, satisfaction, safety, Income which affect the investment decision.
- (c) **Procedure:** The study has shown on the basis of the response collected from respondent. The random sampling method was used to collect the data. The respondents are from Udaipur (Rajasthan). Various Statistical tools like Correlation, Regression, and Reliability was applied on the data with the support of SPSS

V.24. The reliability of the data is analyzed which lead to next of factor Analysis where various factor responsible are identified. Multi Regression was applied to check the factor responsible for investment decision.

V RESULT AND DISCUSSION

In order to determine the important factors which have a positive impact on investor mind, a multi regression analysis was applied with the help of SPSS v. 24 software. In order to move to the muti regression step, the first task is to determine over all reliability of the data. Reliability is shown in table 2

Table No. 2
Reliability

Cronbach's Alpha	N of Items
.688	7

*Source: Author has calculated value via SPSS on the basis of data collected

Reliability of the data is checked by the Cronbach's Alpha. Nunnally 1967 stated that reliability is acceptable when it is greater than equal to 0.6 but less than equal to 0.9. In this case the reliability is 0.688

which is lying in good category. It satisfies the first assumption of reliability. Table no 3 and table 4 displays the factor analysis.

Table No. 3
Rotated Component Matrix

	1	2	3	4	5	6	7
Scheme of Investment	.652						
Risk on Investment		.689					
Mode of Investment						.689	
Satisfaction of Investor					.501		
Profitability on investment				.797			
Safety of investment			.501				
Income							.750
a. 7 components extracted.							

***Source: Author has calculated value via SPSS on the basis of data collected**

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.614
Bartlett's Test of Sphericity	Approx. Chi-Square	55.168
	df	15
	Sig.	.000

***Source: Author has calculated value via SPSS on the basis of data collected**

Table No. 4
Multi- Regression on various factors which affect investment decision:

Descriptive Statistics			
	Mean	Std. Deviation	N
Purchase Intention	1.20	.404	201
Scheme of Investment	3.01	1.398	201
Risk on Investment	1.75	.747	201
Mode of Investment	1.60	.492	201
Satisfaction of Investor	1.33	.471	201
Profitability on investment	2.12	.725	201
Safety of investment	1.96	.871	201
Income	2.62	1.071	201

***Source: Author has calculated value via SPSS on the basis of data collected**

The data is non- multi collinear which satisfy the second assumption of multi regression. The value is higher 1.128 which is below 5.00 reveal that data is not multi collinear and multi regression can be used.

The regression model has given 7 independent factors Purchase Intention, scheme of Investment, Risk on Investment, Mode of Investment, Satisfaction of Investor, Profitability on investment, Safety of investment, Income entered as it explains 55 % of the variance which has an impact on investment decision. The standard error of the estimated is reduced to .393, which means at 95% level.

**Table No. 5
Correlation**

	Purchase Intention	Scheme of Investment	Risk on Investment	Mode of Investment	Satisfaction of Investor	Profitability on investment	Safety of investment	Income
Purchase Intention	1.000	.083	.186	.038	.172	-.084	.180	.124
Scheme of Investment		1.000	.071	.220	.091	.102	.103	.284
Risk on Investment			1.000	.270	.177	-.028	.115	.143
Mode of Investment				1.000	.099	.108	.021	.133
Satisfaction of Investor					1.000	-.057	.191	.003
Profitability on investment						1.000	.126	.027
Safety of investment							1.000	.246
Income								1.000
Significance (One tail test)								
Purchase Intention	.	.120	.004	.295	.007	.119	.005	.040
Scheme of Investment			.160	.001	.099	.075	.073	.000
Risk on Investment			.	.000	.006	.347	.051	.022
Mode of Investment					.080	.064	.385	.030
Satisfaction of Investor					.	.211	.003	.484
Profitability on investment							.037	.352
Safety of investment							.	.000
Income								.

***Source: Author has calculated value via SPSS on the basis of data collected**

Variable Entered/ Removed

Model	Variables Entered	Variables Removed	Method
1	Income		Enter
	Satisfaction of the investor		
	Profitability		
	Mode of Investment		
	Risk		
	Scheme of investment		
	Safety of the investor		
a. Dependent Variable: VAR00005			
b. All requested variables entered.			

***Source: Author has calculated value via SPSS on the basis of data collected**

All the values are significant thus it reveal that data is normal and it is followed by normal distribution, Table 6 (a,b).

**Table No. 6
a Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.297 ^a	.088	.055	.393	.088	2.672	7	193	.012
a. Predictors: (Constant) Scheme of Investment, Risk on Investment, Mode of Investment, Satisfaction of Investor, Profitability on investment, Safety of investment, Income									

**Table No. 6
b Annova**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.884	7	.412	2.672	.012 ^b
	Residual	29.753	193	.154		
	Total	32.637	200			
a. Dependent Variable: Purchase Intention						
b. Predictors: (Constant), Scheme of Investment, Risk on Investment, Mode of Investment, Satisfaction of Investor, Profitability on investment, Safety of investment, Income						

***Source: Author has calculated value via SPSS on the basis of data collected**

The ANNOVA analyses provide F Ratio which prepare the overall model fit. The sum of Square is 32.637 is the squared error that would accrue if the mean of the factor used to predict the dependent factor (investment decision). The above analysis conclude that Scheme of Investment, Risk on Investment, Mode of Investment, Satisfaction of Investor, Profitability on investment, Safety of investment, Income factors have a impact on investment decision.

A significant change has been seen in the mutual fund industry. The mutual fund has provided ample of offering to the investors to increase the number of investors. Still the numbers of investors are comparative less than other foreign company. Mutual funds are still in the struggle stage to attract and gain more investors. Mutual funds provide the flexible to the investor. Option like Systematic Investment in which investor can save small amount of money and can invest them same as Recurring Account where as in Lump sum a amount is being invested for certain time and period. The study stated that investor are more interested in SIP as it create a big corpus by investing small amount on regular basis. Business comes up with the risk in the same way mutual funds also come up with the risk but the amount of risk is less than the amount of profit earned. People are awareness about the mutual funds and its benefit but still due to bitter past experience, lack of knowledge, lack of confidence, difficulty in selection of scheme, inefficient investment advisors are not investing their money. Various schemes are available open ended, close ended, liquid fund,

Midcap fund and Growth fund to the investor to select as per the objective and motive of investing in Mutual Funds. People are still have the perception that mutual funds are risky if the stock market goes down they will face loss. It is very important to remove the perception and clarify them all the details very properly. Financial instrument are working hard to capture every sector and people of the society which will provide the profits to the investors and industry will be boom up. Organization should try to create more awareness and educate through various modes like advertisement, campaign, publicity, awareness program. Benjamin Disraeli rightly said "The secret of success is constancy of purpose". The industry can grow in the market when they satisfy the need and wants of the investor because a satisfied investor will form a chain of more investor.

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