



A STUDY ON THE FACTORS INFLUENCING THE INVESTORS' ATTITUDE TOWARDS MUTUAL FUNDS – WITH SPECIAL REFERENCE TO SALEM CITY, TAMILNADU

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ABSTRACT:

This paper seeks to understand the various demographic factors which affect the investors' attitude towards mutual fund. For analysing the collected data, percentage analysis and Chi-square test has been used and also ranking was done for analysing the various factors responsible for investment in mutual funds on the basis of the weighed scores. The findings of this research will help the mutual fund companies in identifying the areas to be concentrated for the improvement in investors' response to mutual funds.

Key words: Mutual funds, attitude, savings.

I. INTRODUCTION

In the developed and developing countries, savings play an important role, and serves as a basis for capital formation of the country. It also helps the economic growth of the country. Thus, the savings of individuals i.e., household savings increases the capital accumulation of a nation which leads to increase in national output and the overall development. This savings are invested in many avenues by the individuals. Among all the savings avenues, investment in mutual fund plays a significant role. A pool of money accumulated by several investors who aim at saving and making money through their investment is termed as mutual funds. This accumulated money is invested in various asset classes such as, debt funds, liquid assets and so on. The mutual funds are managed by a trust, called as Asset Management Company. It manages the pool of money collected from various investors to achieve certain financial goals. The investors are issued units in accordance with their quantum of investment. They are called unit holders. The income or the loss earned through the investment should be shared by its unit holders in proportion to the number of units owned by them.

Mutual funds are mostly preferred over other investment opportunities such as life insurance, chit funds and even bonds, invariably by all class of people. Because it offers an opportunity to invest in a diversified and professionally managed basket of securities at a relatively low cost. The overwhelming

investment contribution in mutual fund by the general public is the safety of the principal amount is guaranteed and the income earned in the form of interest or dividend. Also, the scope for capital appreciation is also there. The diversification considerably reduces the risk of investors, as all stocks may not move in the same proportion in the same direction and at the same time. There are a wide range of mutual funds in India. It comes out with a number of schemes with different investment objectives. Today, there are more than 3,500 mutual fund schemes available in the market. So, the challenging task before the investor is to select the right one for them, which is very vital.

II. REVIEW OF LITERATUR

Many studies have been conducted in India covering the different aspects of Mutual funds. Arathy B, Aswathy A. Nair, Anju Sai P and Pravitha N.R. (2015) published a research paper “A study on factors affecting investment on Mutual Funds and its preference of retail investors” published in the International Journal of Scientific and Research Publication. It examined the factors affecting investment decision on mutual funds and its preference over retail investors¹.

V. Rathnamani, (2013), in his study, has concluded that most of the investors preferred to invest in mutual fund in order to have stable returns at low level of risk².

Sarish and Ajay Jain (2012), have tried to identify the purpose of investment, the preference of investment and the awareness about the mutual funds among the investors³.

Singh and Jha (2009) conducted a study on the awareness and acceptability of mutual funds and found that the consumers basically prefer mutual fund because of its return potential, liquidity and safety. The unit holders are not totally aware about the investment plan⁴.

Shanmugham (2000) conducted a study on the factors affecting the investment decisions with the objective to find out the factors affecting the investor’s decisions and has reported that the factors that affect the investment decisions are economical, social and psychological factors⁵.

¹ Arathy B, Aswathy A. Nair, Anju Sai P and Pravith N R(August,2015). “A Study on factors affecting investment on mutual funds and its preference of retail investors” International Journal of Scientific and Research Publications, Volume 5, Issue 8, Pg. 1-4.

² V. Rathnamani, V(2013). “Investor’s Preferences towards Mutual Fund Industry in Trichy”, IOSR. 76.

³ Sarish, Jain, A. (2012). “Analysis regarding Mutual Funds Awareness and Opinion”, VSRD-International Journal of Business & Management Research, Vol. 1(10): 1-7. 73

⁴ Singh B. K., Jha, A.K.,“An Empirical Study on Awareness & Acceptability of Mutual Fund”, Presented on Regional Student’s Conference, ICWAI, pp. 49-55, 2009.

⁵ Shanmugham R., (2000), “Factors Influencing Investment Decisions”, Indian Capital Market-Trends and Dimensions(ed.), Tata Mc-Graw Hill Publishing company limited, New Delhi., pp.56-70. 29

Statement of the Problem

The expectations of the investors are a very important aspect in the financial markets. The investors are influenced by the price of the securities, the volume of trade, the fund movement and the various other financial operations in the actual practice. Investor's behaviour may change from period to period, even if the other variables influencing the behaviour are held constant. The individual investor's decision often relies on observable socio-demographic factors. And, a varied number of schemes which provide various benefits have been offered by the mutual fund sector to attract diversified customer base. This increases the consumers' confusion in the selection of his product. With this background, the present study attempts to find out the factors affecting the investors' attitude towards mutual funds.

III. OBJECTIVES OF THE STUDY

- To analyse the impact of various socio-economic factors on investors' attitude towards mutual fund.
- To find out the factors influencing the mutual fund investment decision making.

IV. RESEARCH METHODOLOGY

Collection of data

The secondary data were collected from the various publications of the government of India, RBI and SEBI, and also from other important reports, periodicals and newspapers.

In the second stage, the primary data have been collected from individual mutual fund investors through a sample survey conducted in Salem City. A sample of 90 individual investors has been selected for this purpose. A structured questionnaire has been used.

Tools used for analysis

Appropriate analytical tools were applied for interpreting the collected data. The researcher used Average, Chi-Square test and Garrets Ranking for the analysis⁶.

Hypothesis of the study

The following are the hypothesis of the study:

1. There is no significant relationship between gender of the investors and their attitude towards mutual funds.
2. There is no significant relationship between age of the investors and their attitude towards mutual fund.
3. There is no significant relationship between educational qualification of the investors and their attitude towards mutual fund.

⁶ Gupta. S.P (2010) Statistical Methods, Sultan Chand and Sons, New Delhi.

4. There is no significant relationship between occupation of the investors and their attitude towards mutual fund.

Limitations of the study

- The study covers Salem City only.
- The study is limited only to 90 respondents. Hence the sample size may not be the true representative.
- Respondents show reluctance towards giving correct information.
- Restricted time period is another limitation of the study.

V. ANALYSIS

FACTORS INFLUENCING INVESTORS ATTITUDE

The mutual fund investors' attitude has been categorised on the basis of socio-economic factors. The factors are grouped under four headings, viz.:

- A) *Personal Data*: The personal data include Sex, Age, Qualification, Marital status etc.
- B) *Social data*: Social data include occupation details, experience and type of residence.
- C) *Economic data*: This include annual income and level of savings.
- D) *Investment data*: Investment data deals with objectives of savings and preference of savings.

PERSONAL DETAILS OF THE INVESTORS

Table 1.1

Gender of the investors

Sex	No. of investors	Percentage to total
Male	56	62.22%
Female	34	37.78%
Total	90	100

Source: primary data

Inference

Table 1.1 shows that most of the investors were male. 62.22% of the investors were male and the remaining 37.78% were female. Generally male members are free to take the financial decisions rather than female members in the family.

Relationship between gender and attitude towards mutual funds:

Hypothesis:

Ho: There in no significant relationship between gender and the attitude towards mutual funds.

Table 1.2 shows the relationship between gender and the attitude towards mutual fund investment.

Table 1.2

Relationship between investors' gender and attitude towards mutual fund

S.I.NO	Gender	Attitude level			Total
		Negative	Neutral	Positive	
1	Male	10	30	16	56
2	Female	13	10	11	34
Total		23	40	27	90

Source: Primary data

INFERENCE

The table 1.2 reveals that 27 investors had positive attitude towards mutual fund investment. 40 investors had neutral attitude towards mutual fund investment, and the balance 23 investors had negative attitude towards mutual fund investment.

The table 1.2 reveals that the calculated value 5.83 is lesser than the table value (9.488). Hence the hypothesis is accepted. So, it can be concluded that there is no relationship between gender of the investor and their attitude towards mutual fund.

TABLE 1.3

Age of the investors

Slink	Age	No. of investors	Percentage to total
1	Below 30	15	17%
2	31 – 40	40	44%
3	41 – 50	26	29%
4	Above 50	9	10%
Total		90	100%

Source: primary data

Inference:

The table 1.3 shows that the majority of the investors were belonging 31-40 age group. *i.e.*, 44%. 29% of them were coming under the age group of 41-50. 17% of them were coming under the age group of below 30 and the remaining 10% of them were coming under the age group of above 50.

Relationship between investor's age and the attitude towards mutual funds

Hypotheses:

Ho: There is no significant relationship between the age of the investors and their attitude towards mutual fund.

Table 1.4 shows the relationship between the age of the investors and their attitude towards the mutual fund investment.

Table 1.4

Relationship between age of the investors and their attitude towards mutual funds

SL.NO	Age	Attitude level			Total
		Negative	Neutral	Positive	
1	Below 30	3	6	6	15
2	31-40	10	16	14	40
3	41 & above	7	18	10	35
		20	40	30	90

Inference:

The table 1.4 reveals that 30 investors had positive attitude towards mutual fund investment, 40 investors had neutral level of attitude towards mutual fund investment and 20 investors had negative attitude towards the mutual fund investment. 15 investors were in the age group of below 30. Followed by 35 in the age group of above 41 and 40 were in the age group of 31 – 40 years.

The table 1.4 reveals that the calculated value 2.75 is lesser than the table value (9.488). Hence, the hypothesis accepted. It can be concluded by the researcher that there is no relationship between age of the investor and their attitude towards mutual fund investment.

EDUCATIONAL QUALIFICATION OF THE INVESTORS

Table 1.5

Sl. no	Educational Qualification	No. of investors	Percentage to total
1	Plus two	7	8%
2	Graduate	41	46%
3	Post graduate	28	31%
4	Professional degree	14	15%
TOTAL		90	100%

Source: primary data

Inference:

From table 1.5, it is observed that 46% of the investors were qualified up to the graduate level, 31% of the investors were post graduates and 15% were professionals. Only a small percentage of investors were belonging to the categories of plus two i.e., 8%. Educational qualifications help in investment decision making up certain level only.

Relationship between investors' Educational qualification and the attitude towards mutual fund investment

Hypothesis:

Ho: There is no significant relationship between educational qualification of the investors and their attitude towards mutual fund

Table 1.6 shows the relationship between educational qualification of the investors and their attitude towards mutual fund.

Table 1.6

S. No	Educational Qualification	Attitude level			Total
		Negative	Neutral	Positive	
1	Plus two	4	2	1	7
2	Graduate	9	20	12	41
3	Post graduate and professional	8	18	16	42
Total		21	40	29	90

Source: primary data

Inference:

The table 1.6 reveals that 42 respondents were post graduates and professionals, followed by 41 were graduates and the balance 7 persons, finished higher secondary.

Table 1.6 shows that the calculated value ($\chi^2 = 10.55$) is greater than the table value (9.488). Hence the hypothesis is rejected. It can be concluded that there is relationship between educational qualification of the investors and their attitude towards mutual funds.

(ii) SOCIAL DATA OF THE INVESTORS

Table 1.7

Occupation of the investors

Sl. no	Occupation	No. of investors	Percentage to total
1	Professionals	12	13%
2	Business	26	29%
3	Salaried	44	48%

4	Retired	4	5%
5	Others	4	5%
Total		90	100

Source: primary data

Inference:

Table 1.7 shows that 48% of the investors belonged to the salaried group, followed by 29% of the investors were doing business, 13% of the investors belong to profession, 5% of the investors were retired people and the remaining 5% of the investors belong to others category.

Table 1.8

Relationship between occupation and attitude towards mutual funds

S. No	Occupation	Attitude level			Total
		Negative	Neutral	Positive	
1	Professionals	2	6	4	12
2	Business	6	11	9	26
3	Salaried	9	21	14	44
4	Retired	1	2	1	4
5	Others	-	3	1	4
Total		18	43	29	90

The above table describes the relationship between the occupation and the attitude towards the mutual funds. The calculated value of chi-square is less than tabulated value of chi-square at 5% level of significance. Hence, there is no relationship between occupation and the attitude towards mutual funds.

(iii) ECONOMIC DATA OF THE INVESTORS

Table 1.9

Annual income of the investors

Sl. no	Annual income in (Rs.)	No. of investors	Percentage to total
1	Below 2,00,000	25	28%
2	2,00,001 – 5,00,000	41	46%
3	5,00,001 – 8,00,000	16	18%
4	Above 8,00,001	8	8%
Total		90	100%

Source: primary data

Inference:

Table 1.9 shows that 46% of the investors belonged to the income group of Rs.2,00,001 – 5,00,000, 28% of the investors belong to the income group of below Rs. 2,00,000, 18% were in the income group of Rs.5,00,001 – 8,00,000, and 8% of the respondents belong to the income group of above Rs.8,00,001.

Table 1.10
Annual savings of the investors

Sl. no	Annual savings (Rs.)	No. of investors	Percentage to total
1	Less than 50,000	62	69%
2	50,001 – 1,00,000	10	11%
3	Above 1,00,001	18	20%
TOTAL		90	100

Source: primary data

Inference:

The table 1.10 shows that out of 90, 62 investors (69%) had the annual savings of less than Rs.50,000, 18 investors (20%) had the annual savings of above Rs.1 lakh and the remaining 10 investors (11%) had the annual savings in between Rs.50,001 – 1,00,000. The higher income of the people naturally resulted in more savings.

(IV) INVESTMENT DATA**Objectives of savings:**

Table 1.11

Sl. no	Objectives of savings	No. investors	Percentage to total
1	For retirement period	26	29%
2	For tax deduction	25	28%
3	To meet contingencies	18	20%
4	For children education & marriage	21	23%
Total		90	100

Source: primary data

Inference:

The table shows that 29% of the investors had the strongest objectives for savings *i.e.*, for their retirement life. 23% of investors save their money for the education & marriage of their children, 28%

of investors had tax deduction objective and the remaining 20% of investors save their money to meet their contingencies.

Current preference of savings Avenue of the investors:

Table 1.12

Savings avenue	Rank								Total
	1	2	3	4	5	6	7	8	
Bank deposits	40	23	12	8	5	2	0	0	90
Life insurance	20	18	30	14	6	1	1	0	90
Pension and PF	0	5	5	6	16	20	21	17	90
Shares & other securities	6	8	11	14	23	16	7	5	90
Mutual Fund	4	7	12	16	14	20	16	1	90
Postal savings	7	29	27	8	5	6	3	5	90
Real Estate	0	7	11	10	5	7	18	32	90
Gold & Silver	13	16	16	23	8	4	3	2	90

Source: primary data

Table 1.13

Current preference of savings avenue of the investors (Garrets score)

Savings avenue	Rank								Total
	1	2	3	4	5	6	7	8	
Bank deposits	3160	1541	708	424	235	80	0	0	6148
Life insurance	1580	1206	1770	742	282	40	32	0	5652
Pension and PF	0	335	295	318	752	800	672	340	3512
Shares & other securities	474	536	649	742	1081	640	224	100	4446
Mutual fund	316	469	708	848	658	800	512	20	4331
Postal savings	553	1943	1593	424	235	240	96	100	5184
Real Estate	0	469	649	530	235	280	576	640	3379
Gold & silver	1027	1072	944	1219	376	160	96	40	4934

Source: primary data

Table 1.14
Current preference of Savings Avenue of the investors
(Garret's rank score result)

SLNO	Savings avenue	Garret's score	Rank
1	Bank deposits	6148	1
2	Life insurance	5652	2
3	Pension and PF	3512	7
4	Shares & other securities	4446	5
5	Mutual fund	4331	6
6	Postal savings	5184	3
7	Real Estate	3379	8
8	Gold & silver	4934	4

Source: primary data

Inference:

From the Garrets ranking technique analysis, it is concluded that the investors give first preference to bank deposit for the investment purpose and the last preference for Real Estate. The various other savings avenues were ranked in the ascending order. *i.e.*, Life insurance, postal savings, gold & silver, shares & other securities, mutual fund and pension & PF.

Reasons for investing in mutual fund:

Table 1.15

Sl. No	Reasons for investing in mutual fund	No. of investors	Percentage
1	Professional Management	15	17%
2	Diversification	13	14%
3	Return	30	33%
4	Low cost	12	14%
5	Liquidity	9	10%
6	Transparency	2	2%
7	Flexibility	8	9%
8	Well regulated	1	1%
	Total	90	100

Source: primary data

Inference:

The table 1.15 highlights the reasons for investing in mutual funds. The main reason for investing in mutual fund was, higher return i.e., 33%, followed by professional management reasons 17%. 14% of investors had low cost reasons for investing in mutual funds and 14% of investors each in diversification, followed by 10% of the investors were investing in mutual funds because of its liquidity, the balance 11% of the investors were investing because of its flexibility and transparency reasons, only one percent of the respondents selected mutual funds because of the well regulated reasons.

Difficulties faced by the investors:

Table 1.16

Sl. NO	Difficulties of the investors	No. of investors	% to total
1	Lack of information advertisements	17	19%
2	Lack of initiatives by the industry	16	18%
3	No clear idea about the public issues	25	28%
4	Insufficient agents and brokers	17	18%
5	Others	15	17%
	Total	90	100%

Inference:

The above table 1.16 shows the difficulties faced by the respondents during their investment period. Out of 90 investors, 25 investors did not have any clear idea about the initial public offering, 15 investors were unable to have enough number of agents and brokers. 16 investors had lack of initiatives by the industry, 17 investors had lack of information in advertisement and the remaining 15 investors faced other difficulties during their investment period.

SUGGESTIONS

The following suggestions are made.

Now a day's most of the women belong to the working class. So, suitable investment strategies must be developed and awareness programmes may be conducted in the working places to motivate the women workers. Necessary promotional strategies may be developed by the AMCs to attract all the investors.

Customer satisfaction is the most important factor in any market. Hence, the satisfaction of the investors should be ensured by providing speedy customer grievances mechanism, gaining awareness about the risk factor involved in the investment, and the transaction cost involved in the process etc.

Companies should provide information about their schemes to all the investors. It will help them in many ways, for both present and prospective investors.

SEBI, RBI etc., are now a day's conducting more investors education programmes, workshops and providing booklets at free of cost to increase the investors education programmes. It will ensure the reach in all categories of people. Credit rating agencies should take initiatives to rate the equities and mutual funds for the benefit of investors.

CONCLUSION

Indian financial system has undergone tremendous changes over the last few decades. The mutual fund industry play an important role in the capital formation process of the country. It pools all Indian house hold savings. They channelize the savings to capital market in India and the percentage of this was very high in recent years. This is because, the Indian mutual fund market maintains high professional and ethical standards in the market.

Nowadays the Indian mutual fund industry showing the improved figures in all performance based parameters. Investors are generally risk averse in the choices of their investment. Most of the investors are now attracted by the capital market in the global perspective. Indian mutual fund industry can emerge as one of the strongest players by absorbing investment technology and modified managerial practices in the regional context. Indian mutual fund industry needs growth and in the view of investors mutual funds are the best choice of investment in the capital market.

Based on the above, it can be concluded that the Indian mutual fund industry is growing at a good pace. But large segment of investors are still outside the umbrella of the industry. The reach of the fund houses to different segments of investors is still a key challenge. Providing financial knowledge and awareness about the mutual fund investment to the public will attract the investors towards mutual fund investment.
