

IDENTIFICATION OF FACTORS INFLUENCING INVESTORS' PERCEPTION TOWARDS INVESTMENT IN MUTUAL FUND

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Abstract *Mutual funds have opened new vistas to millions of investors by virtually taking investment to their doorstep. In India, retail investors in general rely on the information which neither provides hedge against inflation nor have positive real returns. He finds himself to be an odd man out in the investment game. Mutual funds have come, as a much needed help to these investors. Thus, the success of mutual funds is in essence the outcome of the collective endeavors of proficient fund managers and vigilant investors. Therefore, in the present circumstances, it is imperative to recognize the requirements of mutual funds investors along with their inclination for mutual funds schemes and their performance evaluation. This research study has an objective to analyze the perception of investors towards mutual funds as an investment avenue. The survey is undertaken on 100 educated investors of Delhi/NCR and the findings revealed that the major factors that influence buying behavior of mutual funds investors are fund characteristics, creditability, convenience, success factors, and fund family. The study will be enormously valuable for academicians, AMC's, brokers, distributors and other potential investors.*

Keywords: *Investor Buying Behavior, Investment, Investors Perception, Mutual Funds*

INTRODUCTION

Since its inception in emerging economies like India, the growth of mutual funds has been exceptionally sluggish and it took really long years to progress up to the modern day mutual funds. Mutual funds as an investment avenue came forward initially in Netherlands in the 18th century followed by Switzerland, Scotland and then in the United States in 19th century. The central idea following mutual fund investments is to provide a form of diversified investment solution. This idea was developed over the years and investors received increasingly large number of choices of investment through the mutual funds. In India, the mutual fund concept emerged in 1960. The pioneer in the area of Indian mutual funds is UTI. Monetary funds benefited a lot from the mutual funds. Previously, investors were investing funds directly in the stock market and due to lack of awareness and market exposure they suffered severe losses. But with the introduction of mutual funds which were managed by efficient fund managers, the associated risks were slashed by a great extent. Two crucial features which contributed enormously in the intensification of mutual funds are its diversified investment structure and diversified risk. With the passage of time many new mutual funds emerged. Not only this, the methods and ways of selling these funds also changed with time.

But, the growth of mutual funds has not stopped. It is enduring to evolve to a superior future offering newer opportunities to investors. In this era of globalization and competition, the accomplishment of an industry is ascertained by the market performance of its stocks. The investors too like to invest only in the stock of those companies from which they can get maximum gains. In initial years of growth of mutual fund industry, investors had only few investment avenues for investment. But the growth of modern stock market has presented numerous prospects for investors for investing their funds according to their requirements. One such channel is to invest in mutual funds. Mutual funds have seen a tremendous growth in the last few years. This is the outcome of pooled efforts of the brokerage houses and the fund managers through different approaches of promotion.

NEED OF STUDY

This research work has been proposed to study and identify the decisive investor behavior factors in selection of Mutual funds. As previous studies gave a mixed outcome regarding investor's perception towards mutual funds so, there are abundant possibilities to study and analyze latest transformations in investor's behavior and perception regarding demographics, investment objectives, initial

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investment amount, etc. The disclosures from existing literature make it apparent that investors are upgrading their awareness and are seeking more and more information for rational decision making. A study on this aspect is necessary to update the knowledge.

SCOPE

The purpose of the study is to find out the perception of investors towards mutual funds as an investment avenue. Data has been collected from 100 investors only from Delhi/NCR region.

LITERATURE REVIEW

The accessible behavioral finance research studies are quite a few but still only little information is accessible about investor perceptions, preferences, attitudes and behavior. All efforts in this direction are fragmented. In this context, the selection criteria that is relatively untouched in vast amount of mutual fund literature is the role played by fund sponsor, fund qualities, factors influencing in selecting mutual fund and specific scheme etc. Although research is limited, there are few evidences on the relative importance of the various perception affecting factors. Some related evidences have been summarized below.

Saini, Anjum, and Saini (2011) in their research study analyzed the mutual fund investments in relation to investor's behavior. Investors' opinion and perception has been examined pertaining to diverse issues like type of mutual fund scheme, objective of investing, role of financial advisors and brokers, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry, etc. Another study related to this but with different dimension has been done by Sharma (2012). In this study, researcher attempted to investigate the causes responsible for under identification of mutual fund as a primary investment option. It inspects the investor's perception pertaining to different features of mutual fund schemes to attract them for investing in particular funds. The paper investigated three factors named as fund attributes, sponsor attributes and monetary benefits which should be offered to investors for securing their long-term association in the form of building investor loyalty. The findings are anticipated to offer prolific insight to mutual fund companies for molding their offers according to the requirements and expectations of Indian investors. In this regard, an extensive study by Goel, Sharma, and Mani (2012) needs special mention. As in this, researcher has identified the performance indicators of mutual funds and to analyze the impact of these performance indicators on mutual fund's performance. The study also draws attention to the contradictions in the literature in the area of examining these performance indicators which have

been identified as per the available literature as performance persistence, turnover, expense ratio, asset size, load fee, investment style, mutual fund managers and the ownership style of the mutual funds. This paper elaborates the impact of these performance indicators. It has been found that each performance indicator affect the return of the mutual fund independently. Another aspect to this has been explored by Radhnamani (2013) and Pandey and Kishore (2013). They have researched to understand the attitude, awareness and preferences of mutual fund investors. Most of the respondents prefer systematic investment plans and got their source of information primarily from banks and financial advisors. Investors preferred mutual funds mainly for professional fund management and better returns and assessed funds mainly through Net Asset Values and past performance. Investor perception has also been worked upon by various researchers. As Kaur, Batra, and Anjum (2013) attempted to know the investors perception towards selection of mutual funds. 200 investors have been taken for survey. The findings of the study revealed that investor consider mutual funds as flexible investment option; they considered asset management companies as efficient and they think investment in stock market is risky and complex. The study has suggested that investors should consider long historical data, size and age of the fund, fund charges and some measure to analysis the funds for investments. Working on the parallel outline Agrawal and Jain (2013) attempted to examine principally the most preferred investment avenue by the investors of Mathura, and have investigated the comparative preference of investors towards mutual funds in the presence of other investment avenues in the market. The present research work scrutinizes the mutual fund investments in context of investor's behavior. Investors' opinion and perception has been studied in relation to several imperative concerns like type of mutual fund scheme, main objective of investing, role of financial advisors and brokers, sources of information and deficiencies in the services provided by the mutual fund managers. Reddy and Sudhakar (2016) also analyzed the perception of individual investors towards the performance of mutual funds. The study aims at finding out the perception of the small and household investors towards investment in mutual funds in twin cities of Hyderabad and Secunderabad. The necessary data are collected by administering a structured questionnaire to 200 randomly selected investors based on simple random sampling method. Mane (2016) also explored the area of investor perception in context of mutual fund schemes they prefer the reasons behind such selections and also this research dealt with different investment options, etc. The findings of this study disclosed that majority of respondents are doubtful and cautious about investing in new age investments like mutual funds and prefer to avert risks by investing in less riskier investment options. Sharma and Agrawal (2015) examined the preferential factors for investing in mutual funds by the investors. The survey

was undertaken in the city of Udaipur city and the major findings revealed that the major buying behavior influencing factors are capital appreciation, brand image, quick service and transparency. Similar work was carried on by Goel and Khatik (2017) regarding investors' awareness and preference towards mutual funds as an investment option. The findings of the study revealed that investors are well aware about mutual funds but in spite of this, they have not made the first move to invest due to insecurities about the stock market and mutual fund but on contradictory respondents have shown signals that they are inclined towards investing in mutual funds in near future to get superior returns. The study recommends that companies and government should come forward in making investors more financially literate and also to train financial advisors to create more confidence amongst investors for taking initiative to invest in mutual funds. Studies related to different demographic dimensions have also been conducted by various authors. Murugan (2012) in his study analyzed the impact of different demographic variables on the perception of investors towards mutual funds. To this end, 300 respondents of Chittoor region, having different demographic profiles were surveyed. The results of the study revealed that one-third of respondents have yet not structured any attitude towards mutual fund investments. The main reason behind this has been observed to be the lack of awareness of investors about the concept and working of the mutual funds. Singh (2012) in his study worked on finding the impact of different demographic factors on investors' attitude in context of mutual funds. For measuring diverse phenomenon and analyzing the gathered data effectively and proficiently, Chi-square test has been applied and for analyzing the effective factors for investment in mutual funds, ranking was done on the basis of weighted scores.

OBJECTIVES

- To analyze the investors awareness and perception regarding investment in mutual funds.
- To identify the factors influencing investor perception about mutual funds.

RESEARCH METHODOLOGY

The methodology includes data and sources of data, sample size, area of framework of analysis. Primary data have been collected from 100 respondents through a structured questionnaire covering different groups of investors geographically, demographic basis, etc. in Delhi/NCR. As the sample was selected on the basis of prefixed characteristics like only mutual funds investors have been selected for data collection purpose and considering the objectives of the study, purposive sampling technique has been applied for sample selection. Reliability analysis is determined by

obtaining the proportion of systematic variation in a scale, which has been done by determining the association between the scores obtained from different administrations of the scale. Cronbach's alpha is the most common measure of internal consistency ("reliability"). Cronbach alpha of total scale came out to be 0.798. This value of reliability statistics shows that all the items of the scale are reliable and can be tested in different settings.

DATA ANALYSIS AND INTERPRETATION

Demographic analysis allows measuring the dimensions and dynamics of sample respondents. These estimates are often considered reliable standards for judging the accuracy of the population information gathered during the period of research. Population composition is also a very important part of research, especially in context of factor analysis. Information ranging back hundreds of years is not always worthwhile, because the numbers of people for which data are available may not provide the information that is important. Lack of information on the original data-collection procedures may prevent accurate evaluation of data quality. To avoid any data analysis problems a detailed demographic analysis has been done. Data has been collected for 100 respondents. Table 1 shows the classification on various basis on the basis of age, there were 50 respondents who belong to age group of 20-30 where as 35 respondents belongs to the age group of 40 to 60 and 15 respondents were in the age category of above 60 years. On the basis of gender there were 58 males and 42 females. Classification of educational background shows that there were 15 professionals where as 45 and 40 respondents were graduates and post graduates respectively. On the basis of occupation 21 respondents were government employees, 43 were private sector employees, 19 were professionals and 12 respondents run their business. On the basis of monthly income 22 respondents had income below 20,000, 50 respondents had income between 20,000 and 40,000 whereas 28 respondents had income between 40,000 and above. On the basis of type of investor 27 respondents were hereditary investors and 73 were new generation investors. Classification on the basis of category of investors shows that 80 respondents were long-term investors whereas 11 and 9 respondents were day trader and both respectively. On the basis of experience in investing 33 respondents had experience less than 3 years, 42 respondents had 3 to 5 years of investing experience and rest 25 respondents had 5 years & above experience in investing. On the basis of approximate size of investment 40 respondents have invested below Rs 1 lakh, 37 respondents have invested between Rs 1 lakh and 2 lakhs and 25 respondents have invested in between 2 lakhs and above. On the basis of source of investment, 92

respondents had invested their own savings, 5 respondents had invested borrowed funds and 3 respondents were in the category of both. Classification on the basis of money ever invested in mutual fund shows that 83 respondents have invested in mutual funds where as 17 respondents have not invested ever in mutual funds. On the basis of recommend investing in mutual funds, 73 respondents have recommended whereas and 27 respondents have not recommended. Exploratory factor analysis is a statistical method used to uncover the underlying structure of a relatively large set of variables. This technique has been used as the researcher had no a priori hypothesis about factors or patterns of measured variables. Measured variables are any one of several attributes of people that may be observed and measured. Exploratory factor analysis comprises of several techniques. Data analysis for this research work has been done on the basis of all the included techniques. Primarily, Kaiser-Meyer-Olkin (KMO) Test has been applied. It is a measure to test suitability of factor analysis technique on the basis of sample data. KMO values less than 0.6 indicates that the sampling is not adequate and remedial action should be taken. Next is communality. The sum of the squared factor loadings for all factors for a given variable (row) is the variance in that variable accounted for by all the factors, and this is called communality. This indicates the amount of variance in each variable that is accounted for. Third step is rotation. Rotation methods are either orthogonal or oblique. Simply put, orthogonal rotation methods assume that the factors in the analysis are uncorrelated. In statistics, varimax rotation is used to simplify the expression of a particular subspace in terms of just a few major items each. Total variance explained gives the ratio, expressed as a percentage, of the variance accounted for by each component to the total variance in all of the variables. The rotated component matrix sometimes referred to as the loadings, which is the key output of principal components analysis. It contains estimates of the correlations between each of the variables and the estimated components.

Table 1: Demographic Description

Basis	Category	No. of Respondents
Age	20-30	50
	40-60	35
	Above 60	15
Gender	Male	58
	Female	42
Educational Back-ground	Professional	15
	Graduation	45
	Post Graduation	40

Basis	Category	No. of Respondents
Occupation	Government employees	21
	Private Sector employees	43
	Professional	19
	Business	17
Monthly Income	Below Rs 20,000	22
	Rs 20,000 – Rs 40,000	50
	Rs 40,000 & above	28
Type of investor	Hereditary Investor	27
	New Generation Investor	73
Category of Investor	Long - Term Investor	80
	Day Trader	11
	Both	9
Experience in Investing	Less than 3 years	33
	3-5 years	42
	5 years & above	25
Approximate size of investment as on date	Below Rs. 1 lakh	40
	Rs. 1 lakh - Rs. 2 lakhs	37
	Rs. 2 lakhs & above	25
Source of investment	Own savings	92
	Borrowings	5
	Both	3
Money invested in mutual fund ever	Yes	63
	No	37
Recommend investing in mutual funds	Yes	73
	No	27

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.693
Approx. Chi-Square	736.121
Bartlett's Test of Sphericity df	378
Sig.	.000

Table 2 shows the value of KMO is 0.693 which shows sample is adequate to run factor analysis technique. The data yields a value for the chi squared statistic of 736.121 and significance value of 0.00 which shows that the values are independent and there is multicollinearity between the values. Higher communalities are better. The values of communality are all more than 0.5. If communality for a particular variable is low (between 0.0-0.4) then that variable struggled to load significantly on any factor. Thus, in this study all the variables are significantly loaded on factors.

Varimax rotation method has been used. It redistributes the variance so that the factor loading pattern and percentage of variance of the factors are different. Eigen values are used to select the number of factors. In Table 3 out of eleven factors five factors have shown Eigen value more than 1. Value greater than 1 can be extracted from the principle component to

extract solution. Total variance explained by these five factors is 76.328 which is reasonably a good variance explained as it

should be more than 50 and also only 23.672% information has been lost during the process of rotation.

Table 3: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.564	36.972	36.972	3.564	36.972	36.972	3.236	35.410	35.410
2	1.929	16.186	52.158	1.929	16.186	52.158	1.835	16.736	51.146
3	1.774	10.446	62.604	1.774	10.446	62.604	1.659	10.902	61.048
4	1.584	8.544	70.148	1.584	8.544	70.148	1.659	8.544	70.950
5	1.370	6.525	76.672	1.370	6.525	76.672	1.549	7.379	76.328
6	.989	5.974	81.046						
7	.975	5.956	86.403						
8	.948	4.751	90.154						
9	.911	4.337	94.491						
10	.879	3.188	97.679						
11	.805	3.835	100.000						

Extraction Method: Principal Component Analysis

From Table 4 rotated component matrix it can be seen that the first factor has 5 variables with a factor loading of more than 0.5, where as the second and the third there are 4 and 3 variables respectively with a factor loading is also more than 0.5. The fourth and fifth factor has 3 variables each with a factor loading of more than 0.5.

A collection of total 19 variables have been clubbed into five factors on the basis of their inter-item correlation. Table 5 shows all the identified factors and its underlying variables. This also shows that within the factor all the variables are homogeneous and all the factors are heterogeneous.

Table 4: Rotated Component Matrix

	1	2	3	4	5
Tax benefits	.758				
High returns	.694				

	1	2	3	4	5
Price	.662				
Capital appreciation	.633				
Liquidity	.571				
Minimum initial investment	.528				
Brand image		.738			
Information source		.735			
Past performance		.602			
Transparency		.569			
Switching option			.744		
Quick grievance mechanism			.630		
Quick service			.612		
Quality of service				.762	
Research				.665	
Simplicity of the offer document				.597	
Management structure					.761
Large fund					.699
Outsourcing					.621

Table 5: Factor Analysis Results

Factor1:Fund Characteristics (35.410)*	Factor2: Creditability (16.736)*	Factor3:Convenience (10.902)*	Factor4:Success Factors (8.544)*	Factor5:Fund Family (7.379)*
Tax Benefit High Returns Price Capital Appreciation Liquidity Minimum Initial Investment	Brand Image Information Source- credit rating agency Past Performance Transparency	Switching Option Quick grievance mechanism Quick Service	Quality of service Research Simplicity of the offer document	Management structure Large fund Outsourcing

Note: * Variance Explained

FINDINGS

Findings of the study are:

- 73% of respondents recommended investing in mutual funds to their peer group as they consider it as a profitable source of investment.
- 40% of respondents have investment valuing less than Rs 1 lakh, which shows that investors with less investing capacity opt for mutual funds.
- Major finding of this research is that perception of investors regarding non conventional investment avenues have changed and that too in positive and progressive direction.
- Major factors considered by investors while investing in mutual funds are the characteristics of fund, its creditability, convenience of the process, various success rates.
- First identified factor is fund characteristics which has a variance explained of 35.410%. This factor includes variables like tax benefits, high returns, price, capital appreciation, liquidity and minimum initial investment.
- Second identified factor is credibility which has a variance explained of 16.736%. This factor includes variables like brand image, information source preferred, past performance and transparency.
- Third identified factor is convenience which has a variance explained of 10.902%. This factor includes variables like switching option, quick grievance mechanism and quick service.
- Fourth identified factor is success factors which has a variance explained of 8.544%. This factor includes variables like quality of service, research and simplicity of offer document.
- Fifth identified factor is fund family which has a variance explained of 7.379%. This factor includes variables like management structure, large fund and outsourcing.

CONCLUSION

This research concludes that Indian mutual fund industry is in a nascent stage but the good news is that it has lot of opportunities to grow. The success depends upon high returns, professional competence of Fund managers. The MF should be easy to buy and sell through broker or directly in the market. Mutual Funds have come out as a vital fragment of financial markets and hitherto have offered sustainable and stable returns to investors. The study reveals that the investors' perception is depends on various demographic factors like gender as the demographic composition reveals that female segment is not fully tapped and also there is low target on higher income group people. Therefore, fund managers should gauge the opportunities in investments related to female segment and higher income group segment to augment investment levels in mutual funds.

Further, the findings of the research were on the factors influencing investor's perception. It reveals that fund characteristics, creditability, convenience, success factors, and fund family are the factors which have a higher impact on perception of investors. These factors give them the required boosting in the investment process. Consequently, it is essential for fund managers to improve on these features in their securities to draw more investors. The present study has only 100 respondents for studying investing behavior. This research can be further extended by incorporating a larger sample size and more attributes which may be considered relevant in the Indian mutual fund industry. The primary data collection for studying the attitude and perception of investor's towards mutual funds as an investment option is limited to Delhi-NCR, which can be further extended to other parts of the country so that the investing attitude of more investors can be studied.

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