

**INVESTMENT BEHAVIOUR OF CONSUMERS TOWARDS MUTUAL FUNDS
– AN EMPIRICAL STUDY IN SURAT CITY**

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ABSTRACT

Consumer behaviour is the sum total of activities that consumers perform in searching for, purchasing, consuming, assessing and disposing of products and services that they anticipate will satisfy their needs. In order to build and run business productively, it is inexorable for companies to study and understand the shifting consumer behaviour in this dynamic business scenario. The eventual behaviour of consumer is also principally affected by numerous cultural, social, personal and psychological aspects. To accomplish the purpose of understanding the investment behaviour of consumers while they invest in mutual funds in Surat city, structured questionnaire was administered to 150 respondents applying descriptive research design and non-probability sampling method. Efforts are also placed to find out whether the investor's occupation and income affect their decision-making process or not. Based on the study, it is found that investors prefer growth option through systematic investment mode while investing in mutual funds. During the process they are largely affected by brokers/banks. Aspects like safety and diversification are considered important while selecting mutual funds

Keywords: Consumer Behaviour, Diversification, Investment, Mutual Funds, Wealth Creation

I. INTRODUCTION

A. Consumer Buying Behavior:

Consumer buying behaviour is the sum total of a consumer's attitudes, preferences, intentions and decisions regarding the consumer's behaviour in the marketplace when purchasing a product or service (Padel and Foster, 2005)¹. The study of consumer behaviour draws upon social science disciplines of

¹ Padel, S., & Foster, C. (2005). Exploring the gap between attitudes and behaviour: Understanding why consumers buy or do not buy organic food. *British food journal*, 107(8), 606-625.

anthropology, psychology, sociology, and economics (Foxall, 2014).² Simply stated, consumer behaviour has traditionally been thought of as a study of “why people buy” – with a premise that it becomes easier to develop strategies to influence consumers once a marketer knows the reasons people buy specific products or service.

Consumer buying behaviour as a process of choosing, purchasing, using and disposing of products or services by the individuals and groups in order to satisfy their needs and wants (Moutinho, 1987)³. Consumer behaviour should be the primary focus of every firm’s marketing program.

No one buys a product unless they have a problem, a need or a want and a consumer goes through several stages before purchasing a product or service (Peter, Olson and Grunert, 1999)⁴. By improving their knowledge of the Consumer Buying Decision Process, brands can improve their marketing strategy to effectively respond and be present with their customers at each stage of their buying behaviour (Chiu, Chen, Tzeng and Shyu, 2006)⁵.

Throughout the consumer decision making process, the consumer is also affected by various external and internal factors like cultural, social, personal and psychological (Ramya and Ali, 2016)⁶. Each factor impacts the consumer in minor or major way. The final act of consumer in each stage is principally influenced by these factors right from need recognition to post purchase

² Foxall, G. (2014). *Consumer Behaviour (RLE Consumer Behaviour): A Practical Guide*. Routledge.

³ Moutinho, L. (1987). Consumer behaviour in tourism. *European journal of marketing*, 21(10), 5-44.

⁴ Peter, J. P., Olson, J. C., & Grunert, K. G. (1999). *Consumer behaviour and marketing strategy* (pp. 329-48). London: McGraw-hill.

⁵ Chiu, Y. J., Chen, H. C., Tzeng, G. H., & Shyu, J. Z. (2006). Marketing strategy based on customer behaviour for the LCD-TV. *International journal of management and decision making*, 7(2-3), 143-165.

⁶ Ramya, N., & Ali, S. M. (2016). Factors affecting consumer buying behavior. *International Journal of Applied Research*, 2(10), 76-80.

behaviour (McKechnie, 1992)⁷. The behaviour of two consumers while buying the same product or service may vary in huge way based on their cultural, social, personal and psychological factors (Park and Kim, 2003).⁸

B. Mutual Funds:

A mutual fund is a pool of money from numerous investors who wish to save or make money. A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal (Frankel and Laby, 2015).⁹ The money thus collected in mutual fund is invested in capital market instruments such as shares, debentures, and other securities. The income earned through these investments is shared by its unit holders in proportion to the number of units owned by them (Singh, 2011)¹⁰.

Thus, a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost (Agrawal, 2007)¹¹. Investments in securities are spread across a wide cross section of industries and sectors and thereby reduce the risk (Hou and Robinson, 2006). Asset Management Companies (AMCs) normally come out with a number of schemes with different investment objectives from time to time. A mutual fund is required to be registered with the Securities and Exchange Board of India (SEBI), which regulates securities

⁷ McKechnie, S. (1992). Consumer buying behaviour in financial services: an overview. *International Journal of Bank Marketing*, 10(5), 5-39.

⁸ Park, C. H., & Kim, Y. G. (2003). Identifying key factors affecting consumer purchase behavior in an online shopping context. *International journal of retail & distribution management*, 31(1), 16-29.

⁹ Frankel, T., & Laby, A. B. (2015). *The regulation of money managers: mutual funds and advisers* (Vol. 3). Wolters Kluwer Law & Business.

¹⁰ Singh, B. K. (2011). A study on investors' attitude towards mutual funds as an investment option. *Journal of Asian Business Strategy*, 1(2), 8.

¹¹ Agrawal, D. (2007). *Measuring performance of Indian mutual funds*.

markets before it can collect Found from the public (Zafar, Chaubey and Ali, 2009)¹².

II. LITERATURE REVIEW

Dhimen Jani and Dr. Rajeev Jain (2013) studied investor buying behaviour of urban and rural for financial assets specifically focused on mutual fund. The data was collected from 200 respondents 100 urban and 100 Rural. They give first priority to financial planner and second to risk and return profile, third past performance, forth tax consideration.¹³ Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision. The study reveals among other things that income schemes and open-ended schemes are more preferred than growth schemes and close ended schemes. Investors look for safety of principal, liquidity and capital appreciation in the order of importance.¹⁴

Dr. D. Harikanth and B. Pragathi (2012), concluded that income level and occupation play very important role in the selection of investment avenues. They also observed that factors like security, periodic returns, tax benefit, secured future play a vital role in the decision-making process and that male investors are ready to take more risk as compared to female investors.¹⁵ Krishnudu, C., Reddy, B. K., & Reddy, G. R. (2009) stated in their study on

¹² Zafar, D. C., Chaubey, D. S., & Ali, S. (2009). An Empirical Study on Indian Mutual Funds Equity Diversified Growth Schemes and their Performance Evaluation. *International Journal of Research in IT, Management and Engineering*, 2(2), 1-18.

¹³ Jani, D., & Jain, D. R. (2013). A comparative analysis of investors buying behavior of urban rural for financial assets specifically focused on mutual fund. *International Monthly Refereed Journal of Research In Management & Technology*, 2.

¹⁴ Madhusudan, V. J. (1996). Marketing Strategies of Mutual Funds–Current Practices and Future Directions. Working Paper, UTI–IIMB Centre for Capital Markets Education and Research, Bangalore.

¹⁵ Harikanth, D., & Pragathi, B. (2012). Role of Behavioural Finance in Investment Decision Making- A Study on Select Districts of Andhra Pradesh, India. *International Journal in Multidisciplinary and Academic Research (SIJMAR)*, 1(4), 1-15.

investment behaviour of rural investors that the investment culture among the people of a country is an essential prerequisite for capital formation and the faster growth of an economy. Investment culture refers to the attitudes, perceptions, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as securities.¹⁶

Ramprasath. S and Dr. B. Karthikeyan (2013) stated in their study that the majority of the investors are giving much importance to the factor “safety”. Similarly, the majority of the investors are periodically evaluating the performance of their investment avenues¹⁷. Bihari, S. C., & Raj, A. (2013) studied investment behaviour of the customers towards mutual fund and other products and concluded that commercial sources are attracting and helping more consumers to take decision. At the same time personal sources are also adding value to their decision-making process. Magazines, newspapers, film, advertisement, display, demonstration, exhibition and colleagues play a vital role in searching meaningful information.¹⁸

Singh, A. K., Chaturvedi, S. K., & veer Singh, K. (2015) in their research found that majority of the investors investing in mutual funds believe that it is a tax saving aspect. The other section of the investors believe that it can also be taken as a return-oriented option as it has the options of investing in various funds and hence the option of return becomes prominent.¹⁹ Rao, S., & Gaglani, H. (2014) studied the impact of various demographic factors on investors' attitude towards

¹⁶ Krishnudu, C., Reddy, B. K., & Reddy, G. R. (2009). *Investment Behaviour and Risk Management*. Global Research Publications.

¹⁷ Ramprasath, S., & Karthikeyan, B. (2013). Individual investors' behavior towards select investments, A study with special reference to Kattumannar. *The International journal of Business & Management*.

¹⁸ Bihari, S. C., & Raj, A. (2013). Investment Behavior of the Customers towards Mutual Fund and Other Products: A Case Study of Axis Bank. *IPE Journal of Management*, 3(1), 129.

¹⁹ Singh, A. K., Chaturvedi, S. K., & veer Singh, K. (2015). Globalization to glocalization of mfes in india with special reference to food enterprises in lucknow. *International journal of research in education methodology*, 6(3), 904-911.

investment in mutual fund and found that the investors have positive attitude towards their investment made in Mutual funds. Majority of the investors prefer Mutual Funds for the returns and feel that it is a safe measure of investment. The study also revealed that demographic factors -age, gender, qualification, income and occupation has significant influence on the investors' attitude towards mutual funds investment.²⁰

Subramanya (January, 2015) studied investor's perception towards Mutual Fund, with consideration of Social economic variables. With judgement sampling and sample size of 100 it was concluded that the socio-economic factors like gender, education, income and savings of investors 'perception towards mutual fund is not encouraging but the age of investors' and saving habit of respondents is correlated²¹. Kr Pratip, Natrajan and J P Singh (2000) concluded that the household's investment in shares, debentures and mutual funds was below 10%. Marimuthu, M., Liu, X., Mao, H., Zhao, X., Uddin, J., Parvin, S., ... & Han, Z. (2008) concluded in their study of behavioral pattern of retail investors towards two important investment opportunities, i. e., mutual fund and life insurance that the different investment pattern do not provide the same level of services with respect to age of the retail investors in India. It is observed that investors with the graduate & postgraduate level of academic qualification are investing more in life insurance and the professionals are investing more in mutual fund.²²

²⁰ Rao, S., & Gaglani, H. (2014). Impact of receivables management on working capital: a study on select cement companies. *International Journal of Management Research and Reviews*, 4(6), 651.

²¹ Subramanya, P. R. (2015). Investors' perception Towards Mutual Fund (with Special consideration of Socio-Economic variables). *Research HUB-International Multidisciplinary Research Journal (RHIMRJ)*, 2, 1-4.

²² Marimuthu, M., Liu, X., Mao, H., Zhao, X., Uddin, J., Parvin, S., ... & Han, Z. (2008). Teams and Projects: A Literature Review 3 Guru Prakash Prabhakar Mergers and Acquisitions: Some Empirical Evidence on Performance, Financial Characteristics and Firm Sustainability. *International Journal of Business and Management*.

Ranganathan K. (2006) noted in his study of fund selection behaviour of individual investors towards mutual funds that financial markets are affected by the financial behaviour of investors²³. Alex Wang (2011) revealed in his study that knowledge, experience, and income are important factors that influence younger generations' investment behaviour²⁴. Shanmugam and Ramya (2010) in their research analysed that, personality traits have greater impact on one's behaviour²⁵.

Rakesh and Srinivas (2013) did study on individual investment behaviour in mutual funds on 400 investors covering the categories of executive & non-executives and observed that 185 investors are interested in investing in bank sponsored mutual funds because of security and 126 investors are interested in investing in institutions because of their returns, remaining 89 investors are interested in investing in private sector & joint venture to maximize their returns and to hedge against risk²⁶. Dr. Pawar I. Anand (2013) concluded that investors need to make rational decisions for maximizing their returns based on the information available by taking judgments free from emotions. Investors' behaviour is characterized by overexcitement and over reaction in both rising and falling stock markets²⁷.

III. RESEARCH METHODOLOGY

²³ Ranganathan, K. (2006). A Study of Fund Selection Behaviour of Individual Investors Towards Mutual Funds-with Reference to Mumbai City.

²⁴ Wang, A., & Anderson, R. B. (2011). A multi-staged model of consumer responses to CSR communications. *Journal of Corporate Citizenship*, (41), 51-68.

²⁵ Poongodi, C., Ramya, P., & Shanmugam, A. (2010, December). BER analysis of MIMO OFDM system using M-QAM over Rayleigh fading channel. In *2010 International Conference on Communication and Computational Intelligence (INCOCCI)* (pp. 284-288). IEEE.

²⁶ Rakesh, D. K., & Srinivas, M. V. (2013). Understanding Individual Investors Investment Behavior in Mutual Funds (A Study on Investors of North Coastal Andhra Pradesh). *International Journal of Management (IJM)*, 4(3), 185-198.

²⁷ Pawar, I. A., & Nayak, M. P. (2013). Financial performance of public sector banks in India. *International Journal of Management Research and Reviews*, 3(10), 3668.

The focus is to study the consumer buying behaviour towards mutual funds. The efforts are also placed to identify the impact of monthly income and occupation on consumer's investment behaviour in mutual funds. The study is accomplished using descriptive research design and non-probability convenience sampling technique. Using structured questionnaire, the data has been collected from 150 mutual fund investors of Surat city. For the analysis of data various tools like tabulation, frequency distribution, cross tabs, Kruskal Wallis test were used with help of SPSS software.

IV. RESULTS AND DISCUSSION

A. Sample statistics:

<Table: 1>

Study comprises 23 females and 127 males. Most of the respondents belongs to 18 to 45 age categories. 48 respondents were post graduate and 70 were graduate. Majority belongs to salaried category in occupation and Rs. 15000 – Rs. 30000 brackets in monthly family income category.

<Table: 2>

Majority respondents invest in mutual funds to create wealth followed by children education/marriage (28.75 percent) and retirement planning (23 percent). Most of the respondents collect information from and influenced by brokers/banks (49.73 percent) before investing in MFs and also choose to invest through agents. While investing, most of the respondents go for SIP (66.67 percent) and growth option (82 percent) and prefer to withdraw partially. Most of the respondents (64.67 percent) track the fund value only sometimes and 58.67 percent investor have visibly shown their intention to prefer MFs over other investment avenues in future.

<Table: 3>

There are so many aspects which are generally considered by investors while selecting mutual fund over other investment avenue as well as while selecting a particular investment scheme. Based on this study, it is found that investors give maximum importance to safety. They also choose MFs to have diversification benefit. Other aspects which are also considered important are regular saving and professional fund management. It is also found that investors are not much concerned with charges and past returns of the fund.

B. Kruskal-Wallis Test: Monthly Income and Aspects according to its importance while selecting Mutual Funds.

Ho: There is no difference in response across the income category.

H1: There is difference in response across the income category.

<Figure: 2>

From the above it can be seen that for 2 aspects “past returns” and “transparency”, there is significant difference across the respondents with different income groups. For remaining aspects, there is no significant difference across income groups.

C. Kruskal-Wallis Test: Education Qualification and Aspects according to its importance while selecting Mutual Funds.

Ho: There is no difference in response across the education qualification category.

H1: There is difference in response across the education qualification category.

<Figure: 3>

From the above it can be seen that for 1 aspect i.e. “past returns”, there is significant difference across the respondents with different education qualification. For remaining aspects, there is no significant difference across occupation.

V. CONCLUSION, IMPLICATIONS AND FUTURE SCOPE OF RESEARCH:

Based on the study, it can be concluded that wealth creation, planning for children's education and marriage and retirement planning are the chief motives why people invest in mutual funds. It can be indicated that brokers/banks play vital role in the entire process of investor's behaviour towards mutual funds as they help investors at almost all stages of consumer behaviour, right from identifying the proper fund till withdrawing it. Systematic investment plan (SIP) with growth option is the favoured by most of the investors.

Safety, diversification benefit, regular savings, professional fund management are some of the facets which are considered important by investors while investing in mutual fund. Monthly family income of investor has an affects the importance of aspects like past returns and transparency while Education qualification has an effect over importance of past returns of mutual funds.

This study is limited to one product/service/investment avenue i.e. mutual funds so other investment avenues can be selected for further future study. Moreover, the study is limited to small sample size and only to Surat city so its results cannot be generalized to other area and other product/service categories. Further research can be carried out in other cities or multiple cities to validate the findings of this study or to find out something more in detail. Longitudinal study can also be executed in future.

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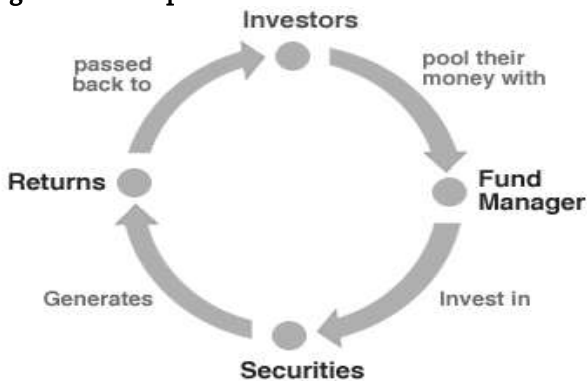
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List of figures

Figure: 1: Concept of Mutual Funds



Source: <https://adityatrading.in>

Figure: 2 Kruskal-Wallis Test

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Safety is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.196	Retain the null hypothesis.
2	The distribution of Tax benefit is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.471	Retain the null hypothesis.
3	The distribution of Liquidity is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.623	Retain the null hypothesis.
4	The distribution of past return is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.047	Reject the null hypothesis.
5	The distribution of diversification benefit is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.859	Retain the null hypothesis.
6	The distribution of professional fund management is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.863	Retain the null hypothesis.
7	The distribution of Regular saving is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.275	Retain the null hypothesis.
8	The distribution of transparency is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.016	Reject the null hypothesis.
9	The distribution of charges is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.462	Retain the null hypothesis.
10	The distribution of convenience is the same across categories of Monthly income.	Independent-Samples Kruskal-Wallis Test	.626	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Source: Primary Data

Figure: 3 **Kruskal-Wallis Test**
Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Safety is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.539	Retain the null hypothesis.
2	The distribution of Tax benefit is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.156	Retain the null hypothesis.
3	The distribution of Liquidity is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.941	Retain the null hypothesis.
4	The distribution of past return is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.005	Reject the null hypothesis.
5	The distribution of diversification benefit is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.654	Retain the null hypothesis.
6	The distribution of professional fund management is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.905	Retain the null hypothesis.
7	The distribution of Regular saving is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.923	Retain the null hypothesis.
8	The distribution of transparency is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.504	Retain the null hypothesis.
9	The distribution of charges is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.123	Retain the null hypothesis.
10	The distribution of convenience is the same across categories of Education qualification.	Independent-Samples Kruskal-Wallis Test	.219	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

List of Tables

Table 1: Demographic profile of Respondents

Demographic variables		Gender		Total
		Male	Female	
Age	18-30 Yrs	63	16	150
	31-45 Yrs	58	6	
	46-60 Yrs	6	1	
	>60 Yrs	0	0	

Demographic variables		Gender		Total
		Male	Female	
Educational Qualification	HSC or below	9	1	
	Graduate	70	12	
	Post Graduate	48	10	
Occupation	Student	1	0	
	Salaried	92	21	
	Self Employed	23	0	
	Housewife	0	2	
	Professional	11	0	
Monthly Family Income (Rs)	<Rs 15000	16	8	
	Rs. 15000-30000	57	11	
	Rs. 30001-50000	29	3	
	>Rs. 50000	25	1	
Total		127	23	
Source: Primary Data				

Table: 2 Consumer Buying Behaviour towards Mutual Funds

Particulars	Sets of Alternatives	Responses		Total
		Fre.	%	
Purpose of Investing in MFs (Multiple Tick)	Retirement Planning	72	23.00	313
	Wealth Creation	90	28.75	
	Children's Education/ Marriage	81	25.88	
	Tax Benefit	45	14.38	
	As a tool of Diversification	25	7.99	
Before investing in MFs, Get information from	Brokers/Banks	74	49.33	150
	Newspaper/Magazines	19	12.67	
	Advertisement	19	12.67	
	Online Sources	38	25.33	
Invest in MFs through	Agent	79	52.67	150
	Bank	29	19.33	
	Online	40	26.67	
	Register and Transfer	2	1.33	
Influence on decision while investing in MFs (Multiple Tick)	Self-Decision	46	23.59	195
	Family/Friends/Relatives	28	14.36	
	Media Reports	4	2.05	
	Brokers/Bank Advice	108	55.38	
	Advertisement	9	4.62	

Selection of Option to get returns in MFs	Dividend Pay-out	14	9.33	150
	Dividend Reinvest	13	8.67	
	Growth	123	82.00	
Preference of Mode of Investment in MFs	One time/Lump sum	40	26.67	150
	Systematic Investment Plan	100	66.67	
	Systematic Transfer Plan	10	6.66	
Tracking of Fund Value after investment in MFs	Never	27	18.00	150
	Sometimes	97	64.67	
	Often	26	17.33	
Preference of Mode of withdrawal from MFs	Lump sum/Full	51	34.00	150
	Systematic Withdrawal Plan	38	25.33	
	Partial Withdrawal	61	40.67	
Will prefer MFs over other Investment avenues in Future	Yes	88	58.67	150
	No	22	14.67	
	Can't Say	40	26.66	
Source: Primary Data				

Table: 3 Aspects according to its importance while selecting Mutual Fund

Aspects	Very Imp (5)	Important (4)	Neutral (3)	Not Imp (2)	Not at all Imp (1)	Total	Mean
Safety	99	31	12	2	6	150	4.43
Tax Benefit	60	61	19	6	4		4.11
Liquidity	48	61	36	5	0		4.01
Past Returns	47	46	39	12	6		3.77
Diversification Benefit	74	46	23	6	1		4.24
Professional Fund Mgmt.	72	49	18	10	1		4.21
Regular Saving	63	66	14	7	0		4.23
Transparency	59	53	28	10	0		4.07
Charges	45	47	30	22	6		3.69
Convenience	62	49	21	12	6		3.99
Source: Primary Data							

ABOUT AUTHOR

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