DRIVING FORCES OF INVESTMENT DECISIONS IN MUTUAL FUNDS

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By

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Declaration

I, Sindhu K. P., hereby declare that the thesis entitled '**Driving Forces of Investment Decisions in Mutual Funds**' is a record of bonafide research work done by me under the supervision and guidance of Dr. S. Rajitha Kumar, Associate Professor, School of Management Studies for the award of the degree of Doctor of Philosophy under the Faculty of Social Sciences. I further declare that no part of the thesis has been presented before for the award of any degree, diploma, associateship, fellowship or any other title of any University or Board.

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This is to certify that the thesis entitled '*Driving Forces of Investment Decisions in Mutual Funds*' by Ms. Sindhu K.P. for the award of the degree of Doctor of Philosophy under the Faculty of Social Sciences of the Cochin University of Science and Technology is a record of bonafide research work carried out by her under my supervision and guidance.

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List of Abbreviations

ANOVA	-	Analysis of Variance
SPSS	-	Statistical Package for the Social Sciences
MFs	-	Mutual Funds
NAV	-	Net Asset Value
AUM	-	Asset Under Management
ELSS	-	Equity Linked Savings Scheme
SEBI	-	Securities Exchange Board of India
AMCs	-	Asset Management Companies

Chapter 1

INTRODUCTION

1.1. Introduction

The success of an investment activity depends on the knowledge and ability of investors to invest the right amount, in the right type of investment, and at the right time. A well-planned investment alone can ensure regular income, capital appreciation and can meet the financial requirements of the investors. An investor has to use his discretion in appropriate decision making for the selection of investment avenues, which is an art acquired by learning and practical experience. Those investors with lack of knowledge and expertise about the operation of the financial market may lose their money while investing in financial securities. So, they need professional advice for the selection of the right type of investment; otherwise, due to fear of losing their hard-earned savings, they will never come forward to invest their funds in the financial market.

The role of savings and investments has been given paramount importance in promoting economic growth of India since Independence. With the advent of Liberalisation, Privatisation and Globalisation, the Indian economy has been opened up and many developments have been taking place, especially in capital and money markets. The revolution in the development of communication technology has become so advanced and that also helped to link the issuers of financial instruments with the investors in the global financial market without any difficulty. All these developments lead to economic growth and the dynamics of economic growth provide various opportunities not only in the Indian market but also in the global market for investors to invest their savings in different attractive avenues of investments with various features matching with their financial goals. The selection of an appropriate type of investment among the various investment avenues is predominantly determined by the financial goal of the investors. Now-a-days, interest rates on bank deposits

are falling down therefore; keeping big deposits in banks is not a wise investment option, as in real terms the value of money is also decreasing over a period of time. In this situation one of the best options available to investors is to invest their money in the stock market. But, the main concern for investors is optimum allocation of available funds among different avenues of investments. It is also a complex task for investors to find an appropriate investment avenue, which satisfies their objectives of investments, to minimise their chance of risk in future and at the same time, ensures a reasonable level of growth and income on their investment. In the investment arena, financial markets are constantly becoming more efficient by providing more promising solutions to the investors. In the financial market, among all investment options available for investment, securities are considered to be the most challenging as well as rewarding to the investors. Moreover, usually different securities carry different risk-return profiles and normally securities having higher risk carry higher return and vice-versa. As far as common investors are concerned, they are not well informed and competent enough to understand the complexities involved in the movement of the stock market. Due to the peculiar nature of the marketable securities and the market, investments in securities require considerable knowledge, skill and expertise of the investors and carry the risk of loss if the right type of security is not selected and the investment decision is not taken at the right time. Hence, investment in stock market is a highly complicated one to the common man. In this situation, mutual funds became a most appropriate investment avenue for individual investors as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. In India, mutual fund industry also provides reasonable options for the common man to invest their savings in the capital market. In 1993, with the entry of the private sector in mutual funds, the Indian mutual fund industry has actually started a new era in investment by offering a wider choice of funds. In the economy, mutual fund industry

forms part of an organised financial system which is easily accessible to individual investors and now it plays a very significant role in channelising the savings of millions of investors.

1.2. Mutual Fund – A Financial Instrument

A Mutual Fund is a trust that pools the savings of a number of small investors, in the form of units, who have a common financial goal. The money, thus collected by them is invested in financial market instruments such as shares, debentures, bonds, money market instruments or some combination of these investments in such a way, as to minimise risk, while ensuring safety and a steady return on investment. A fund is "mutual" as all of its returns, minus its expenses, are shared by the investors of the fund. The Securities Exchange Board of India has defined a mutual fund as "a fund established in the form of a Trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments or gold or gold related instruments or real estate assets." A mutual fund will have a Fund Manager who is responsible for investing the pooled money into specific securities. Mutual fund schemes are managed by respective Asset Management Companies (AMC). When one invests in a mutual fund, the investor is buying a portion called unit of the mutual fund and becomes an owner of the fund. The income earned through these investments and capital appreciation realised are shared by its unit holders in proportion to the number of units held by them. The appreciation or reduction in value of investments in the fund is reflected in Net Asset Value (NAV) of the concerned scheme, which is declared by the fund manager from time to time. Mutual funds are considered a good route to invest and earn returns with reasonable safety. Mutual fund companies offer investors the advantages of portfolio diversification and professional management at a relatively low cost.

1.3. Statement of the Problem

In India, it is the household sector which occupies a position of dominance over the other institutional sectors like private corporate sector and public sector in terms of generating savings. If there is higher mobilization of household savings, it means higher availability of resources in the economy for growth and development. Particularly, savings in financial assets by households are more important from the resource mobilisation point of view, because of their liquidity characteristics compared to physical savings which can be more easily translated into investments.

In today's highly volatile capital market environment, mutual funds are looked upon as a transparent and low cost investment avenue. The popularity of mutual funds in India as an investment avenue has increased over time and, as a result, new funds with various types of schemes have mushroomed in a very short period. The resource mobilisation of mutual funds has also been growing at a steady pace over the years. In the Indian capital market, the overall growth and development of various products of mutual funds has already proved to be one of the most catalytic instruments in generating momentous investment growth. In India, in spite of the offering of an exciting retail environment for mutual funds by channelising the savings, participation from the investors in retail segment continue to remain at low levels. As on 31st March 2010, the participation from the retail segment has been only 26.6 per cent and at the end of 31st March 2009 it was only 21.3 per cent. The analysis of data on the contribution of the amount of investments in mutual funds by various sectors of the economy showed that as on 31st March 2010 the corporate sector contributed 51 per cent, banks/financial institutions contributed 3 per cent, Foreign Institutional Investors contributed 19 per cent, and High Net worth Individuals contributed one per cent of their total amount of

investments.   It shows that the dependence of mutual funds on the corporate sector for investment is pretty high compared to the investments made by the other sectors. Usually the majority of the investors coming under the retail sector in India consist of individual investors. Hence, an attempt to analyse the individual investors' investment in mutual funds has also been made.

Traditionally India enjoys a very high saving rate. It was approximately 34 per cent in financial year ending 31st March 2011 of which household savings in financial assets were around 11.8 per cent. The survey conducted by National Council of Applied Economic Research (NCAER) in 2008 revealed that although Indians have a positive attitude towards increased savings, around 65 percent of savings are with banks or post office deposits and cash at home, 23 per cent are invested in real estate and gold, and only 12 per cent is channelised towards financial Instruments.   According to the data available in Karvy Private Wealth Reports, it is revealed that out of the total amount of investments in financial assets, only 3.34 per cent and 3.38 percent cent were made in mutual funds respectively in the financial years ending 31st March 2011 and 31st March 2012 by the individual investors in India. It shows that increase in investments in mutual funds between these two years was only 0.04 per cent. But in developed markets, investments in mutual funds constitute a significant proportion of one's portfolio of investments. Mutual funds play a key role in achieving both the long-term and short-term goals of savings of U.S. households. It represented a significant component of many financial holdings of U.S. households in 2011. In the U. S. A. altogether, 52.3   million households, or 44 per cent of all U.S. households, owned mutual funds in 2011.

Unfortunately, in India it is a fact that most of the investors are not interested in mutual funds. Those who are investing, they are investing only very small amounts. But what is important to be noted here is that

when compared to other financial instruments, investments in mutual funds are safer and also yields more returns on the investment portfolio. Moreover as an investment avenue mutual fund is available for those investors who are not willing to take any exposure directly in the security market. It also helps such investors to build their wealth over a period of time. At the retail level, investors are unique and are highly heterogeneous, and the mutual fund schemes' selection will also differ depends on their expectations. Hence, investors' expectation is a very important factor in this regard that needs to be analysed by all the investment houses. Hence, the factors that drive the investment decisions of individual investors to meet their expectations by investing money in mutual funds need an in-depth analysis. These driving forces include the preference of investors on mutual fund compared to various available avenues of financial investments, risk attitude of investors, influence of characteristics of instruments of mutual funds on investors, the investment specific attitudes of investors, and influence of qualities of fund management on investors. The success of any mutual fund, a popular means of investment, depends on how effectively an Asset Management Company has been able to understand the level of influence of these factors on the decision of investors to invest in mutual funds. For a substantial growth in the mutual fund market, there must be a high level precision in the design and marketing of the products of mutual funds taking into account these driving forces by the Asset Management Companies. Therefore, there is a need to conduct a detailed study on investments in mutual funds in this direction. A review of available literature also revealed that no detailed study on mutual funds has so far been attempted in this direction; hence the present study on Driving Forces of Investment Decisions in Mutual Funds is undertaken.

1.4. Objectives of the study

The present study entitled Driving Forces of Investment Decisions in Mutual Funds is undertaken with the following specific objectives.

1)   To ascertain the preference of mutual fund investors in respect of various investment avenues.

2)   To establish the influence of risk perception of investors on investment decisions.

3)   To examine the influence of characteristics of mutual funds on investment decisions.

4)   To study the influence of investment specific attitude of investors on investment decisions.

5)   To analyse the relationship between qualities of fund management and investment decisions.

6)   To develop a statistical model with 'risk perception of investors', 'investment specific attitude of investors', 'characteristics of mutual funds' and 'qualities of fund management', as explanatory variables for 'mutual fund investment decisions' as the dependent variable.

1.5. Hypotheses

The following hypotheses are formulated for the study.

H1.   There exists significant association between selected demographic variables of investors such as gender, age and income and their preferences for various avenues of investments.

H2.   There exists a positive relationship between risk perception of investors and investment decisions.

H3.   There exists a positive relationship between characteristics of mutual funds and investment decisions.

H4.   There exists a positive relationship between the investment specific attitudes of investors and investment decisions.

H5.   There exists a positive relationship between qualities of fund management and investment decisions.

1.6.   Definitions of Concepts

1.6.1. Investment Decision

In financial literature the concept 'investment decision' generally means the determination made by investors as to where, when, how, and how much funds will be invested on various avenues of financial products/instruments with the objective of generating income or appreciation in value in the future.

In the present study, operationally, the concept 'investment decision' is defined as the amount of investments made by individual investors in mutual funds. The investment decision of individual investors is studied here based on the percentage of amount of investments made by them in mutual funds out of their total amount of investments in financial assets.

1.6.2. Risk Perception of Investors

Risk is an inherent feature of all types of financial investments. The risk perception of investors is an important factor that influences the investment decisions. The concept 'risk perception' means the way in which investors view the risk of financial assets, based on their concerns and experience, but not necessarily on objective data.

Investment decision of individual investors in financial asset is usually affected by their risk perception. Hence, in the present study based on the review of literature and discussions with experts in the field a

number of factors influencing the risk perception of investors were identified. These factors include unpredictability of returns, knowledge about the financial assets, chance for incurring loss, diversification of portfolios, and dependence on professional investment advice. The concept 'risk perception of individual investors' is operationally defined here as their beliefs, feelings, concerns, experiences and judgments about these factors. In order to measure the risk perception of individual investors, statements were developed based on these factors and the opinions of the respondents were measured on a five point rating scale.

1.6.3. Characteristics of Mutual Funds

Characteristics mean features of something that is typical of them and easy to recognise. Mutual Fund as a financial asset it has its own characteristics. From the review of characteristics of financial assets with specific emphasis on mutual funds eight characteristics peculiar to the mutual funds were identified.

Operationally, in the present study, the characteristics of mutual funds such as safety of investment, regular income, capital appreciation, professional management, flexibility, diversification benefits, and tax benefits are included. The investment decision of individual investors in mutual funds is influenced by these characteristics. Since all the individual investors are not giving equal importance to these characteristics at the time of investment decisions, the respondents were asked to mark their preference on each of these characteristics on a five point rating scale.

1.6.4. Investment Specific Attitudes of Investors

Investment specific attitude of investors means the requirements and beliefs of investors regarding the risk to the principal amount of investment, risk to return potential and other factors. From the available review of literature, it is learned that there are five investment specific attitudes of investors on mutual fund investment decisions. These are confidence of investors, risk attitude of investors, investment horizon of

investors, personalisation of loss, and investment control. Awareness of investors, about mutual funds as an investment avenue, is also an important factor which affects the investment decisions in mutual funds.

Hence, in the present study investment specific attitude of investors is operationally defined as how these factors viz., 'confidence of investors', 'risk attitude of investors', 'investment horizon of investors', 'personalisation of loss', 'investment control' and 'awareness of investors', influence them while investing funds in mutual funds. Based on review of literate and discussions with experts in the field separate statements were developed on a five point rating scale to measure each of these factors.

1.6.5. Qualities of Fund Management

Qualities of Fund Management mean the inherent or distinguishing characteristics of professional management of mutual funds.

Based on the review of earlier studies and opinion of experts in the field 'fund quality', 'fund sponsor quality', and 'investor services' provided to the investors by the Asset Management Companies are considered as the qualities of fund management. In the present study, the concept 'qualities of fund management' is operationally defined by incorporating all these factors. Separate statements were developed to measure each of these factors. While assessing these factors by the individual investors at the time of investments in mutual funds, they are usually not giving equal importance to all of the factors. Hence, the respondents were asked to mark their responses on each of these statements on a five point rating scale depending upon the importance they are given.

1.6.6. Driving Forces

In the present study the usage 'driving forces' mean the factors that influence the investment decisions of individual investors in mutual funds. The factors, analysed include 'risk perception of investors', 'investment specific attitude of investors', 'characteristics of mutual funds' and

'qualities of fund management'. Hence, here, the usage driving forces of investment decisions in mutual funds include these factors. These driving forces such as 'risk perception of investors', 'investment specific attitude of investors', 'characteristics of mutual funds' and 'qualities of fund management' are the explanatory/independent variables used in the study for explaining mutual fund investment decisions as the dependent variable.

1.7   Research Methodology

The present study is descriptive and explanatory in nature. Both secondary and primary data were collected and used for the study.

1.7.1. Secondary data source

The secondary data source for the study include books, journals, periodicals, publication of various mutual fund organisations, website of AMFI, website of SEBI, government publications and websites of various mutual fund companies.

1.7.2. Primary data source

Primary data required for the study were collected from 900 individual investors in Kerala who have investments in mutual funds.

1.7.3. Sampling Design

Multi-stage sampling was adopted for selection of respondents for the study. In the first stage, the state of Kerala was divided into three regions namely Southern, Central and Northern regions. Southern Region consists of Thiruvanathapuram, Kollam, Pathanamthitta and Alappuzha revenue districts of the state. The Central Region includes Kottayam, Idukki, Eranakulam and Thrissur revenue districts of Kerala. Northern Region of the state covers Palakkad, Malappuram, Kozhikode, Wayanad, Kannur and Kasargod revenue districts. In the second stage, Thiruvanathapuram district

from the Southern Region, Ernakulum district from the Central Region and Kozhikode district from the Northern Region were selected for the study. These districts were selected based on judging criteria on the presumption that there are more individual investors in mutual funds in these districts and also by giving due consideration to geographical location. The features of these districts are Thiruvanathapram district the state capital, Ernakulum district the industrial capital and Kozhikode district the trade capital of the state. In the third stage, 300 mutual fund investors each from these three districts were selected by using convenient sampling method subject to the fulfillment of the inclusion criteria such as gender, income, age, education, occupation and area of residence. Thus, the total sample size of the study comes to 900 individual investors in mutual funds.

1.7.4. Instrument used for collecting primary data

In order to achieve the objectives of the study, a well structured questionnaire was developed. This was for collecting primary data from individual investors in mutual funds. The questionnaire was finalised after conducting a pilot study among 50 individual investors in mutual funds in Ernakulam district. On the basis of the experience from the pilot study, some of the questions were refined with a view to ensuring the correctness of the responses and included in the final questionnaire. A number of experts/consultants in the mutual fund industry have been consulted and their suggestions were incorporated while finalising the questionnaire to ensure the content validity of the instrument.

An assessment of the reliability of the scale of measurement used for measuring the variables is necessary because reliability refers to the degree of dependability, consistency or stability of a scale of measurement. In the present study, the reliability of the scale of measurements used was

assessed by using Cronbatch Alpha coefficient, which was above the minimum acceptable level, 0.845 there by confirmed the reliability of the scale of measurement.

The questionnaire developed for collecting primary data was administered to 900 individual investors in mutual funds and their responses were collected through filled up questionnaire.

1.7.5. Tools used for Analysis of Data

The collected data were tabulated and analysed with the help of SPSS. The statistical tools used for analysis include Compounded Annual Growth Rate, Percentage, Weighted Average Mean, Standard Deviation, Co-efficient of Variation, Chi-square test, Friedman Repeated Measures on Rank, Wilcox on Signed Rank Test, ANOVA, Simple Regression Analysis and Multiple Regression Analysis.

1.8. Chapter scheme

The Thesis is presented in seven chapters:

Chapter 1 - Introduction

Chapter 2 - Review of Literature

Chapter 3 - Mutual Funds in India - An Overview

Chapter 4 - Preference of Investment Avenues and Risk Perception of Investors

Chapter 5 - Characteristics of Mutual Funds and Investment Specific Attitudes of Investors on Investment Decisions

Chapter 6 - Qualities of Fund Management and Investment Decisions

Chapter7 - Summary of Findings, Suggestions and Conclusion.

1.9. Limitations of the study

The major limitation of the present study is that it does not cover the entire mutual fund investors in Kerala. Convenience sampling technique has been used because the identification of mutual fund investors was a main problem. Further, the inherent limitations associated with the responses generated from memory might have affected the present study to a certain extent. However, maximum care was exercised to counter check the responses through observation and cross questions to counter verify the validity of the responses. This study has not been conducted over an extended period of time having both ups and downs of stock market conditions which is a significant influence on investors, buying pattern and preference.

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Chapter 2

REVIEW OF LITERATURE

2.1   Studies on General Financial Behaviour of Investors

2.2   Studies on Risk Tolerance and Attitudes of Investors

2.3   Studies on Investment Decisions in Mutual Funds

2.4   Studies on Investors' Behavior Models

A review of theoretical and empirical literature pertaining to the topic of the study is an integral part of any research work. Hence, an attempt has been made in this chapter to present a review of various studies relating to investors' behaviour, their risk tolerance and attitudes, fund selection behavior and models relating to investor behaviour as reported by experts, professionals and researchers at national and international level. This will help to find out new area hitherto unexplored and to study them in depth.

2.1. Studies on General Financial Behaviour of Investors

Nagy and Obenberger (1994) found out that earlier studies of retail investor behavior have examined motivation from economic perspectives or studied relationships between economic and behavioral and demographic variables. The authors examined various utility-maximization and behavioral variables underlying individual investor behavior which provided a more comprehensive understanding of the investment decision process. They grouped these variables into seven summary factors that capture major investor considerations. They collected data collected through a questionnaire administrated among a random sample of individual equity investors with substantial holdings in Fortune 500 firms. The study revealed that individuals base their stock purchase decisions on classical wealth-maximization criteria combined with diverse other variables. They do not tend to rely on a single integrated approach.

Goetzmann and Peles (1997) in their study found out the direct evidence of investor belief, based on actual rather than hypothetical choices about investments. Their findings are consistent with an endowment effect. In addition, they have a small but unique sample of responses that allow them to differentiate between an endowment effect and beliefs conditional upon past choice. The experimental evidence in the cognitive psychology literature suggests that both mechanisms should influence investor beliefs

and actions. In fact, in this smaller sample, they find evidence of both a dissonance effect and a strong endowment effect.

NCAER- SEBI (2000) carried out a survey to estimate the number of householders and the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other saving instruments. This was a unique and comprehensive study of Indian investors.

Bandagar (2000) conducted a study to know the preference of investors in Greater Bombay on financial instruments**.** This study throws an interesting light on trends in investment preferences of the middle class investor in that time as well as their future behavior. The study reveal that most of the investors were highly educated and they took their own decisions regarding their investments. They lack the skill and knowledge of investing. The investors have large amount of monthly income and they prefer to invest in risky securities.

Shanmugham (2000) carried out a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

Bhalla,V.K. (2002) analysed the critical significance of the financial service industry, nationally or internationally, and the key components of the strategy to integrate the Indian financial system with the global.

Mukhopadhgay (2004) investigated the basic factors responsible for choice of financial assets for investment. The findings suggest that life insurance policy is the most popular investment avenue. Indian stock

market is devoid of investors' educational infrastructure; people are unaware of the existence and functioning of mutual funds which do have tremendous future prospects, provided it is groomed up properly. The overall result revealed that the investment behavior of investors reflected underdeveloped nature of Indian financial market.

Chen, G.M., et al. (2004) attempted to study investing behavior and trading performance in an emerging market like China. They found that Chinese investors exhibit behavioral biases (i.e., they seem overconfident, inclined toward a disposition effect and exhibit a representativeness bias) and make poor ex post trading decisions. They also considered potential cross-sectional determinants of investing behavior. Specially, they identified investors who have accumulated relatively more years of investing experience, middle-aged investors, active investors, investors with relatively more wealth and investors from the more cosmopolitan Chinese cities, to see if these investors were less prone to exhibiting behavioral biases and the answer was 'no'.

Maditinos, Sevic, and Theriou (2007) investigated the various methods and techniques used by Greek investors (both professionals and individuals) when evaluating potential additions to their investment portfolio. The result indicated that individual investors rely more on newspapers/ media and noise in the market when making their investment decisions, while professionals rely more on fundamental and technical analysis and less on portfolio analysis. The investment horizon seems to have a direct association with the relative importance of the techniques that professionals use for stock analysis. Also, the use of specific techniques seems to have a different impact on the performance of professionals.

Muraleedaran (2007) presented a paper indicating the level and pattern of income of the households among different income groups. This

paper also examined the pattern of investment preference among the different income groups in physical and financial assets. In the study, he graded the households into three groups as low, middle and high. The statistical analysis proved that the average and marginal propensity to save and invest differ from the difference in the level of income. The variation in the level and pattern of rural- urban income distribution on households savings also pays a decisive influence in the behavior of household savings. The significance of the location factor in the level of savings and investment was also found statistically significant in the study. The researcher has suggested that there is utmost need to implement economic and social program to eradicate the rural – urban income disparity through planning process, especially in a globalised environment.

Gupta and Jain (2008) wrote a book based on the findings of an all-India survey of household investors. It brought out their preference among the major categories of financial assets. The study provided interesting information about how the investors' attitudes towards various investment types are related to their income and age.

Fünfgeld and Wang (2009) in their study, classified, based on both self-stated attitudes and behaviors, in a comprehensive range of daily financial affairs. Furthermore, it aimed to study the impact of socio-demographic variables such as gender, age and education. Factor analysis revealed five underlying dimensions of financial attitudes and behavior: anxiety, interest in financial issues, decision styles, need for precautionary savings and spending tendency. Cluster analysis segmented the respondents into five subgroups based on these dimensions with an ascending order of specific needs for financial products. Gender, age and education were found to have significant impacts.

Agarwal, Agarwal, and Jain (2009) investigated various new financial innovations in the field of banking, insurance, capital markets and

mutual fund in the year 2008 in india. The authors also tried to figure out the salient features, advantages and disadvantages of the various financial engineering products and processes. They also tried to discuss the way ahead for India in the field of financial innovations

Shanmugasundaram and Balakrishnan (2010) found out that investors frequently make poor decisions caused by psychological biase and emotion. Investments were made with an avowed objective of maximizing the wealth. Investors were needed to make rational decisions for maximizing their returns based on the information available by making judgments free from emotions. Researchers have found that investors often make errors - like failing to react quickly enough to new information that challenges their existing options. Investor behavior was characterized by overexcitement and over reaction in both rising and falling stock markets. This research investigated how investors interpret and act on information to make informed investment decisions and also tried to understand and predict systematic financial market implications of psychological decision making processes. Empirical evidence suggested that demographic factors influence investors' investment decision.

Kabra, Mishra, and Dash (2010) conducted a study and this study aims to gain knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women of among different age groups. The individuals may be equal in all aspects, may even be living next door, but their financial planning needs may very different. It is by using different age groups along with gender that synergism between investors can be generated. In this context, demographics alone no longer suffice as the basis of segmentation of individual investors. Hence keeping this in mind, the present study is an attempt to find out factors which affect individual investment decision and differences in the perception of

investors in the decision of investing on the basis of age and on the basis of gender. The study concludes that investors' age and gender predominantly decides the risk taking capacity of investors.

Cashman, G.D., et al. (2011) by using a large sample of monthly gross flows from 1997 to 2003, the authors uncovered several previously undocumented regularities in investor behavior. They were: 1) Investor purchases and sales produce fund level gross flows that are highly persistent. Persistent in fund flows dominated performance as a predictor of future fund flows. Also, failing to account for flow persistence leads to incorrect inference with respect to the relation between performance and flows.2) They documented that investors react differently to performance depending on the type of fund, and that investor trading activity produced meaningful differences in persistence of fund flows across mutual fund types. 3) At least some investors appeared to evaluate and respond to mutual fund document differences in the speed and magnitude of investors' purchase and sales responses to performance.

Shaikh, Rehman, Arifur, and Kalikudrikar, Anil (2011) revealed that demographic factors have an impact on retail investors' investment decisions. This had been identified on the basis of cross analysis between demographic factors and the level of risk taking ability of the investors, and the study was carried out by applying Chi-square test and Correlation analysis.

Rao (2011) examined the role of various socio-economic factors affecting the investment decision of the investors. The results were obtained from a survey and had been analyzed by the Chi-square test. The result showed that, socio- economic factors can significantly influence the investment behaviour of the investors.

Sahi, Dhameja, and Arora (2012) conducted a study considering various demographic, socio-economic and psychographic variables for the

purpose of understanding the investor's preferences. Using a sample of individual investors (N=377), a Classification and Regression Tree (CART) methodology was used to determine whether psychographic variables were better predictors than demographic and socio-economic variables for understanding an individual investor's preference for the investment alternatives. These results showed the need for financial service providers to consider the psychographic variables along with demographic and socio-economic variables, so as to better understand and advise the financial consumers. This would enable the financial service institutions to target their audience more sharply, so as to develop appropriate marketing strategies and further build the investor's trust. This study contributed to furthering the understanding of investor behavior.

Chaturvedi and Khare (2012) examined the investment pattern and awareness of the Indian Investors about different investment instruments such as bank deposits, real estate, small savings, life insurance schemes, bullions, commercial deposits, corporate security- bonds, mutual funds, and equity and preference shares. The research found the impact of age, education, occupation and income level of the individual on investment. The objectives of the study were to study the awareness and preferences of investors for different investment option available to them and to analyze the factors influencing their perception and preferences. More especially, an attempt has been made in this study to measure the level of awareness of investors about several pre-identified investment products; to rank the investment products in terms of awareness; to analyze the relation between awareness and socio-economic factors relating to the investors; to study the preferences of investors for different investment products; and finally to identify the factors influencing investor awareness and preferences.

2.2. Studies on Risk Tolerance and Attitudes of Investors

Investment Company Institute (1993) conducted a study based on the objective to examine mutual fund shareholder perceptions of risk. In examining investors' perception of risk-return trade-off, the ICI Findings suggested that mutual fund shareholders have a better understanding of an investments' potential return of fixed-income products. A shareholders' family history could influence his or her investment behavior and tolerance for financial risk.

Madhumarthi (1998) carried out a research to find out the preferences of the investors and their perception about the risk in the Indian markets. Three classes of investors had been identified based on their risk perception namely, risk seekers, risk bearers and risk avoiders. The result indicated that a majority of the investors were influenced by the operating performance of the companies. The risk perception influenced the investment decisions of the investors and the profit earned by them.

Swarup (2000) conducted a study on investor risk-return perceptions towards various investment avenues and based on this, the strategies that need to be adopted by mutual funds to penetrate the markets were discussed.

Diacon (2004) presented the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various UK personal financial services' products. Factor similarity test showed that there were significant differences between expert and lay investors in the way financial risk were perceived. Financial investors were likely to be less loss averse than lay investors, but were prone to affiliation bias, believed that the products were less complex, and were less cyclical and distrustful about the protection provided by the regulators. The traditional response to the

finding was that experts and non experts had different perception and understanding about risk.

Moreschi (2005) in his paper analyzed the capability of individuals to accurately estimate risk tolerance. Using a database of respondent answers to a psychometrically valid questionnaire, calculated risk tolerance scores are compared to respondent self-assessed risk tolerance scores. In general, gender and education are the most significant factors in explaining the ability of individuals to accurately forecast their own risk tolerance score.

Dohmen, T., et al. (2005) in their paper presented new evidence on the distribution of risk attitudes in the population, using a novel set of survey questions and a representative sample of roughly 22,000 individuals living in Germany. Using a question that asked about willingness to take risks on an 11-point scale, they found evidence of heterogeneity across individuals, and showed that willingness to take risks is negatively related to age and being female, and positively related to height and parental education. They tested the behavioral relevance of this survey measure by conducting a complementary field experiment, based on a representative sample of 450 subjects, and found that the measure is a good predictor of actual risk-taking behavior. They used a more standard lottery question to measure risk preference, and found similar results regarding heterogeneity and determinants of risk preferences. The lottery question made it possible to estimate the coefficient of relative risk aversion for each individual in the sample. Using five questions about willingness to take risks in specific domains — car driving, financial matters, sports and leisure, career, and health — the paper also studied the impact of context on risk attitudes, finding a strong but imperfect correlation across contexts. Using data on a collection of risky behaviors from different contexts, including traffic offenses, portfolio choice, smoking, occupational choice, participation in sports, and migration, the paper compared the predictive power of all of

the risk measures. Strikingly, the general risk question predicts all behaviors whereas the standard lottery measure does not. The best overall predictor for any specific behavior was typically the corresponding context-specific measure. These findings called into the question the current preoccupation with lottery measures of risk preference, and point to variation in risk perceptions as an understudied determinant of risky behavior.

Fellner and Maciejovsky (2007) related individual risk attitude as elicited by binary lotteries and certainty equivalents to market behavior. By analyzing 26 independent markets with a total of 280 participants they found that binary lottery choices and certainty equivalents were poorly correlated. Only lottery choices were related to market behavior: the higher the degree of risk aversion, the lower the observed market activity. Females were more risk averse than males according to binary lotteries, submitted fewer offers and engaged less often in trading.

Veld and Veld-Merkoulova (2008) studied risk perception of individual investors by asking experimental questions to 2,226 members of a consumer panel. Their responses were analysed in order to find which risk measure they implicitly used. They found that most investors implicitly use more than one risk measures. For those investors who systematically perceive risk according to the same risk measure, semi-variance return was most popular. Investors stated that they considered that the original investment was the most important benchmark followed by the risk free rate of return and market return. However, their choices in the experimental questionnaire study revealed that market return was the most important benchmark.

Krishnudu, Reddy, and Reddy (2009) in their book explained the status of Indian capital market in that time, socio-economic profile of

investors in Rayalaseema region where they conducted the study, investor perception and behavior , their risk assessment and finally they gave valuable suggestions. This book was very useful to the researchers in this field.

Anbar and Eker (2011) investigated the relationship between financial risk tolerance and demographic characteristics such as age, gender, marital status, number of children, income and total net assets. In the analysis of data from nearly 1,100 university students, Logistic Regression analysis, and T-Test and ANOVA analysis were used. Logistic Regression analysis indicated that gender, department and working in a job were significant predictors of financial risk tolerance. Results of T-Test and ANOVA analysis indicated that gender, department, working in a job, monthly personal income, monthly family's total income and total net assets were significant in differentiating individuals into risk tolerance levels, although age, marital status and number of children had no significant effect on financial risk tolerance.

Faff, Hallahan, and McKenzie (2011) in their paper, by using a very large sample of psychometrically derived risk profiles of adult Australians, aimed to explore the linkage between financial risk tolerance and gender. The key proxy of Risk Tolerance Score (RTS) derived from a 25 question survey devised by Finametrica was used in real client situations. Using Multiple Regression Analysis in which RTS is the dependent variable, the paper tested the importance of gender in explaining cross-sectional variation, while controlling for a range of demographic characteristics. The impact of gender was further explored through dummy variable enhanced regression analysis constructed to test the increment in each demographic coefficient derived from being female relative to the base case of being male. The paper documented strong evidence that women differ from men in their attitude to financial risk taking. In general,

women were shown to be less risk tolerant than counterpart males, with this differential varying depending on the demographic feature considered.

2.3. Studies on Investment Decisions in Mutual Funds

Devakumar (1987) revealed that earlier to 1985, there were very few investors and they were knowledgeable. During the 1985 boom, thousands of new investors invaded the market. The new investors suffered heavy losses compared to professionals. A good number of new investors had walked out of the stock market to safer areas like UTI units, NSC etc. There was a mild shift of investment preferences to mutual fund also.

Ippolito (1992) stated that the past performance of the funds was the base for the selection of fund/scheme by investors. He also stated that money flowed into winning funds more rapidly than they blowed out of losing funds.

Raju (1993) in his work mentioned that 23 per cent of the population covered, was aware of mutual fund schemes but the awareness level is less than that of government bonds.

Gupta (1994) conducted a study with an objective to provide data on the investor preferences on mutual funds and other financial assets. The findings of the study were more appropriate at that time, to the policy makers and mutual funds to design the financial products for the future.

Capon, Fitzsimons, and Weingarten (1994) found out that consumers use the information on past performance, safety , amount of sale of charge , management fee, fund manager reputation, fund family etc. for mutual fund purchase decision. The differences between affluent and typical was that the affluent were more informed with technical terms and types of fund they owned. Confidentiality was very important for the affluent. This study has provided an increase insight into a product/ market

of great interest to the banking community. This finding can be used as the basis for developing more perceptive strategic action.

Srinivasa and Luthra (1995) pointed out investors' segmentation in Indian mutual funds. In this study, segmentation of investors was on the basis of descriptors such as investor motives, investor loyalty, purchase influence investment decisions and innovativeness of investors in accepting new scheme. They also examined the investors' preference for mutual funds.

Capon, Fitzsimons, and Prince (1996) investigated the manner in which consumers made investment decisions for mutual funds. Investors reported that they considered many non-performance related variables. When investors were grouped by similarity of investment decision process, a single small group appeared to be highly knowledgeable about its investments. However, most investors appeared to be naïve, having little knowledge of the investment strategies or financial details of their investments. Implications of mutual fund companies were discussed.

Bansal (1996) in his book explained the mutual funds in pre 1992 and post 1992 period. It covered various mutual fund schemes, its accounting, calculation of NAV, analysis of US-64 scheme, management of various schemes etc.

Jambodekar (1996) assessed the awareness of mutual funds among individual investors, identified the sources influencing the buying decisions and the factors influencing the choice of a particular fund. The study disclosed that income schemes and open-ended schemes were preferred schemes to growth schemes and close ended schemes. During that market condition, investors looked for safety of principal, liquidity and capital appreciation. The investor got the information about mutual fund/ schemes from newspapers and magazines and investor services were a major differentiating factor in the selection of mutual fund scheme.

Nalini (1996) made an evaluative study of the impact of mutual fund schemes on the deposit mobilization of commercial banks in Kerala for the period of 1987-1994. The study showed that during early the 1990s, when public sector banks entered the mutual fund sector, it affected the deposit mobilisation of commercial banks to a certain extent.

Sikidar and Singh (1996) carried out a survey with an objective to understand the behavioral aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey revealed that the salaried and self employed formed the major investors in mutual fund primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds had not proved to be a big hit during the time when survey was done.

Tripathy (1996) in her paper examined the importance and growth of mutual fund and evaluated the operations of mutual funds and suggested some measures to make it a successful scheme in India.

Varghese (1997) made an extensive study of individual investors in the capital market in Kerala. In this study, he revealed that about one third of the investors entered the capital market through investments in mutual funds. UTI funds were the favorites of the investors. The financial environment in Kerala along with its high capital market potential had inspired thousands of individual investors to enter the market.

Alexander, Jones, and Nigro (1998) analyzed the response from a nation-wide telephone survey of 2000 randomly selected mutual fund investors who purchased shares using the services of six different intermediaries, referred to as distribution channels- brokers, banks, mutual fund companies, insurance companies, employer- sponsored pension plans and others. The survey provided data on the demographic, financial, and fund ownership characteristics of mutual fund investors. Furthermore, it

contained data on investors' familiarity with the costs and certain investment risks, associated with mutual funds and the information sources used to learn about these costs and risks.

Rao (1998) made an attempt to obtain the perception of investors on mutual funds in India. The analysis of the study revealed that UTI Mutual Fund was having top most popularity followed by SBI Mutual Fund.

Zheng (1999) in his paper examined the statistical and economic significance of two effects on a large mutual fund data base: Gruber's Smart Money Effect and the Information Effect. The study found that investors in aggregate are able to make buying and selling decisions based on good assessment of short-term future performance. The Smart Money Effect was not due to macroeconomic information or style effect, but likely due to fund-specific information. This suggested investors used fund specific information in making their mutual fund investment decisions.

Massa, Goetzmann, and Rouwenhorst (1999) examined and analysed the correlation matrix of the net daily flows to a set of mutual funds over a year and a half period. They found that the matrix had structure , suggesting a relatively high level of correlated behavior across the U.S. Mutual fund investors. The major behavioral factor was closely linked to the difference between stock and bond fund returns, and thus might be related to expectations about the equity premium. They used the Fama-MacBeth approach for testing the incremental power of flow factors to explain cross-sectional differences in realized fund returns. They found that flow factors even orthogonalised with respect to current and previous day asset class returns, provide considerable incremental explanatory power. They examined three alternative hypotheses to explain the effects. While, they could not completely rule out intraday sector trend chasing as an explanation, when they dummy out detailed fund objective categories,

the flow factor power remains. It the entire effect was intra-day trend chasing, investor must be choosing funds to chase based on intra-day observables and fund return was not one of these. They also rejected the direct –demand hypothesis, using foreign fund flows and returns. They left with the conclusion that investor supply and demand they identified on a small group of funds was an instrument for market –level shifts in supply and demand for different types of assets on a daily basis. This might be due to the existence of behavioral factors per se such as market sentiment, or alternatively, flows among funds.

Panda and Tripathy (2001) in their study attempted to track investor's preferences and priorities towards different types of mutual fund products and for identifying key features of a mutual fund for deciphering sustainable marketing variables in the design of a new mutual fund product. Taking a lead from this, an attempt was also made to find out the important mutual fund product attributes that were essential in influencing the purchase decision of investors. Using a structured questionnaire, a survey was conducted to know the investors' attributes. From the study, they identified five core factors which affected the purchase decision of mutual fund investors, viz., core product, performance factor, augment factor, persuasive communication and finally the confidence factor. Where the market was turning competitive due to larger number of players with varied financial muscle powers and expertise of reinvestment.

Rajeswari and Moorthy (2001) conducted a survey with the main objective to identify the factors that influence the investor's fund/scheme selection followed by the identification of the features look for mutual fund product, scheme preference, information source etc. They gave bank deposits as their preferred investment avenue. Growth schemes were ranked first, followed by income scheme and balanced scheme. The sources influenced investment decisions were newspapers and magazines, brokers, agents etc.

Based on the theory and past research, they identified three factors that could influence the investors in their fund selection viz. fund/scheme qualities, fund sponsor qualities and the expected investor services. Then they identified 23 sub-variables which were classified under appropriate groups. The survey revealed that the investors were basically influenced by the intrinsic qualities of product followed by efficient fund management and general image of the fund/ scheme in their selection of fund schemes.

Gupta and Chouhury (2001) in a study attempted to analyse the perception and attitude of investors towards mutual fund. It was high quality research study that gave valuable insight into the functioning of mutual funds in India. It brought out how the investors perceive mutual funds both inters and in relation to various types of investment.

Barber, Odean, and Zheng (2001) analyzed the mutual fund purchase and sale decisions of over 30,000 households with accounts at a large U.S. discount broker for six years ending in 1996. From the study, they found out that: 1) Investors bought strong past performance funds; over half of all fund purchases occured in fund ranked in the top quintile of past annual returns.2) Investors sold funds with strong past performance and were reluctant to sell their losing fund investments; they were twice as likely to sell a winning mutual fund rather than a losing mutual fund and thus, nearly 40 per cent of fund sales occurred in funds ranked in the top quintile of past returns, and 3) Investors were sensitive to the form in which fund expenses were charged; though investors were less likely to buy funds with high transaction fees, their purchases were relatively insensitive to a funds' operating expense ratio. From this, the researchers argued that the representative heuristic led to buy past winners, the disposition effect rendered investors reluctant to sell their losers and framing effect cause investors to react differently to various forms of fund expenses.

Panda and Tripathy (2002) attempted to monitor the mutual funds working and also the business connected with it in India, with a perceptive to enhance investors' confidence in future. The general perception had been that mutual fund had cheated the common investor and disturbed their savings and plans. Regulatory frame work and mechanism of quick detection of wrong doings of mutual funds followed by punishment was the need of the hour in the given situation for common interest of all.

Sudalaimuthu and Senthil (2003) found out that the majority of the respondents preferred bank deposits over mutual funds; open-ended mutual fund schemes were preferred by majority of them and most of them were moderate risk takers. The awareness about mutual fund was born from magazines and newspapers.

Lynch and Musto (2003) showed a convex relation between past returns and fund flows of mutual funds and that was to be consistent with fund incentives, because funds discard exactly those strategies which underperform. Past performance told less sensitive to them when they are poor. The researchers' model predicted that strategy changes only occured after bad performance, and that bad performers who changed strategy had dollar flow and future performance that were less sensitive to current performance than those that do not. Empirical test supported both predictions.

Ramasamy and Yeung (2003) in their paper surveyed the relative importance of factors considered important in selection of mutual fund by financial advisors in emerging markets. Their survey focused on Malaysia where the mutual fund industry started in the 1950s but gained importance in the 1980s with the establishment of a Government initiated programme. The result of the survey pointed to three important factors which dominated the choices of mutual funds. These were consistent past

performance, size of the funds and cost of the transaction. Factors which relate to the fund managers and investment style were not considered to be relatively important. With the impending liberalization of the financial markets in the developing world, their findings would assist those international funds that are considering expanding their operations into these emerging markets.

Valderrama and Bautista (2003) from their study recognized that mutual fund facilitates offer advantages as it channels from saving to investment that are not available in traditional flow of funds mechanisms. This study attempted to trace the development of mutual fund industry in Philippines. The survey revealed that even the relatives more educated of investors were not aware of the similarities and differences between mutual funds and their close substitute, common trust funds. Investor education is a top priority of the industry. The distribution and information dissemination mechanism of the funds, investment solicitors/ agents, was very inefficient.

Wilcox (2003) examined how investors choose a mutual fund within a given class of funds. The major findings were that the investors paid a great deal of attention to past performance and vastly overweight loads relative to expense ratios when evaluating a funds' overall fee structure. The researcher also found that investors with a great knowledge of basic finance were less likely, not more likely, to make reasonable fund choices.

Singh (2003) analysed in detail the growth pattern of mutual fund industry in India and tried to evaluate the performance of mutual funds in India. He found out that the tailor made product was a must for survival of the industry and regulatory bodies must function properly.

Fernando, D., et al. (2003) conducted a study and the major findings of the study were: 1) Mutual fund assets grew from 8 to 16 per cent of

GDP between 1992 and 1998 for the countries covered in the study. 2) In high income countries, mutual fund assets expanded from 10 to 24 per cent of GDP over this period, but in middle-income countries they first grew from 4 to 8 per cent but then fell back to 4 per cent of GDP after the East Asian crisis this reversal was mostly caused by the experience of Asian countries.

Leelamma (2004) made an in-depth study of the mutual fund investors specially SBI Mutual Fund investors in Kerala. According to her, the investors of Kerala had been showing keen interest by subscribing to various mutual fund schemes anticipating higher return and capital gains.

Singh and Chander (2004) made an attempt to study the perceptions of investors towards MFs and analyzing the reasons for withdrawal and/or not investing any more in mutual funds. From the analysis, investor's perception regarding day-to-day disclosure of NAV by the funds and provision for more tax rebates on investment in mutual funds by the government have emerged as important requirement for the investors. Investors generally feel that regulatory bodies like SEBI and others have not been able to control the working of mutual funds properly and the legal frame work is not appropriately designed. Moreover, the funds have underperformed as against expectation and management has been inefficient, thereby discouraging investors to keep their funds parked in mutual funds.

Chen, G.M., et al. (2004) attempt to study investing behavior and trading performance in an emerging market like China. They found that Chinese investors exhibit behavioral biases (i.e., they seem overconfident, inclined toward a disposition effect and exhibit a representativeness bias) and make poor ex post trading decisions. They also consider potential cross-sectional determinants of investing behavior. Specially, they identified   investors who have accumulated relatively more years of

investing experience, middle-aged investors, active investors, investors with relatively more wealth and investors from the more cosmopolitan Chinese cities, to see if these investors are less prone to exhibiting behavioral biases and the answer was 'no'.

Ong and Sy (2004) in their work discussed the expansion of the global mutual fund industry has been characterized by growth in mature as well as emerging markets. This had clearly contributed to the development of local securities in emerging market economies, which in turn, had been key in attracting investment inflows from overseas funds. A major concern, however, was that large foreign investors could significantly disrupt the stability of local markets in the event of a market shock, with systematic implications for the real economy. The authors suggested that while local investors remain the important group in terms of market share, the influence of foreign fund cannot be discounted. Asset allocation decisions by mature market funds-both dedicated and cross-over –in aggregate could affect emerging markets. In particular, European mutual funds play a much bigger role in emerging markets than their US counterparts.

Agudo and Lázaro (2005) conducted research into the evolution of the mutual fund market in India in the last few years to use the net asset value of the funds of the years 2001 and 2002 to infer some kind of pattern that would help the researchers to classify them; thereby verifying to what extent they coincide with existing official classification. The conclusions of the study were: 1) Risk was one of the variables that influence the evolution of Indian mutual funds NAVs. 2) Market was not sufficiently developed to be able to sustain an institution that can efficiently control the investments made by different MFs.

Gupta, Jain and Choudary (2005) conducted a survey with various objectives**.** The first objective of the study was Indian household investor's

perception about mutual funds as a vehicle for accumulating savings. The second objective was based on the retail investors' future investment intension with respect to capital market instruments. The findings of the study were: mutual fund was undoubtedly an important product innovation in the financial field. The risk takers were interested to direct holding of equity shares. Govt saving scheme, bank deposit, equity shares, mutual funds, others were the order of preference of the sample respondents. From all the angles of analysis, household's preference for direct shareholding far outweighs their preference for mutual fund scheme tighter. Investors' unhappy experience, managerial incompetence, malpractices and herd behavior cost etc were the reason for the slow growth. Suggestions of the study were investor education on advantage of investing in mutual fund and the boosting of confidence in the mind of investors through meeting investor perceptions.

Prasada and Sahia (2006) identified the key factors that influence customer preferences for a particular mutual fund. The factors identified in this study would help fund organizers design their services and product mix in accordance with those preferred by customers. The technique of Factor Analysis led to the identification of six major factors: Monetary, core product, fund strength, promotional, customer expectation and service quality. Any product that was good in the aspects of quality, variety and monetary implications, was preferred by customers. This study discussed prudent product development with the value-added features that will make mutual funds more attractive for investors.

Sharma (2006) found out that mutual Funds (MFs) were an investment avenue for small investors. However, it had been observed that Indian MFs industry was dominated by institutional investors who hold about 65 per cent of the Indian mutual fund assets, whereas retail investors accounted for only 1.3 per cent. In the last decade, High Net Worth Individuals (HNWIs) have

emerged as prominent players in the MF segment. A number of studies had been conducted to identify factors that motivate small investors to invest in Mutual Funds. There was sufficient amount of research that would help identify factors, which influence non Indian HNWIs, but research relating specifically to Indian HNWIs is lacking. This study was conducted to identify factors that drive Indian HNWIs to invest in mutual funds.

Ganesan, Rengamani, and Mohammed (2006) had undertaken a research work to find out the possibilities of ULIP products in luring the mutual fund investors. This study was made through getting the response of mutual fund investors and finding out their mutual funds investment purposes. If ULIP products can satisfy those products, then these investments would have an added advantage over mutual fund investments because such investments would generate a return of a mutual fund as well as give a good life cover to the investor.

Investment Company Institute (2006) undertook a comprehensive study in February 2006 to identify the information need of mutual fund investors and the sources from which they obtain that information. The findings were: 1) Investors consider a wide range of information before purchasing mutual fund shares, 2) Shareholders consult a variety of source of mutual fund information before and after purchasing shares, and one of the sources was usually a professional financial advisors 3) Shareholders look for concise investment information and, where possible, graphic presentations and 4) Overall shareholders embrace internet.

Ranganathan (2006) made an attempt to understand the fund selection behavior of individual investors in Mumbai City towards Mutual Funds. The main findings of the study were:- the individuals main aim of investment is to provide for retirement, so they mainly invest in pension and provident funds . Yield, security and liquidity are the three words of

typical investor. Investors look at intrinsic fund qualities, creditability of image and flexibility as three major variables of fund related qualities of MFs. In case of fund sponsor qualities, they insist on reputation and competent performance as key variables. Transparent disclosure and tangible fringe benefit are the key variables relating to investor services.

Chiang, K., et al.(2006) attempted to study the perception of dividends by professional investor, for whom mutual fund managers were a proxy. The researchers' findings were: three groups from the more traditional: the more growth oriented, aggressive; and middle –of the- road group is posited. Although there are some uniformly accepted tenets across the groups, nevertheless, the more traditional group attributes far more importance to dividends as something needed to pacify the shareholder. It is also concluded that none of the academic hypotheses contrived to explain dividend behavior can be supported by empirical evidence. The interesting result was, nevertheless, that the ex-post group performance is not significantly different between each possible pairing of the three groups.

Drachter, Kempf, and Wagner (2007) examined the decision process in German Fund Companies. High quality survey studied, even though managers knew that their answers would be linked to their performance. Secondly, that the behavior of managers depends heavily on the characteristics of the funds and the characteristics of the fund company.

Martenson (2008) contributed to the understanding of how customer contact persons influence attitudinal and behavioral loyalty in three different customer groups who differ in terms of their motivation and ability to understand stock market information. The mutual fund product is one of last century's big success stories. Therefore, they need professional advice to make decisions. A path model shows that customer contact persons influence

attitudinal and behavioral loyalty and that the impact is higher for high elaborators than low elaborators. This suggests that the role of the contact person differ for different customer groups i.e. the notion of multiple roles for variables.

Leonard and Bodgan (2007) examined mutual fund shareholders' use of ongoing, professional investment advice. The key findings of the study were: 1) Professional financial advisors provide a wide range of investment and planning services in addition to helping investors select and purchase mutual fund shares. 2) Certain events, such as receiving a lump sum of money or birth of a child, often initially promote fund investors to seek professional financial advice, 3) Investors choose to work with professional financial advisors because have expertise in areas the investors do not have and 4) Although a wide range of investors owns funds through advisers, some investor groups are more likely to work with advisers, some investor groups are more likely to work with advisors than others.

Matthew, Huang, and Zhu Zhenghao, (2007) found out that individual investors have been the majority of mutual fund investors in most developed countries. The same trend is seen in China. Segmentation of individual investors was the footstone of fund marketing research. Their study focuses on current situation of mutual fund industry in the mainland of China, and found out the main segment variables of mutual fund individual investors by reviewing not only related research paper in China, but literature from top-tier world- wide academic journals. For segmentation, demographic variables were used. To find out marketing characteristics of different market segments such as characteristics concerning choice of channels, response to advertisement, and choice of different types of funds, etc.

Rao and Mishra (2007) conducted a critical study of the role performed by mutual funds as a financial service in Indian financial market. It

could be said that despite few problems, the changes in the mutual fund industry in India had really favored it's amazing growth and in conclusion it could be said that in times to come mutual funds will continue to be a significant resource mobilizer in the Indian financial market.

Singh and Kaur (2007) in an article gave a brief description about the mutual funds and the history of mutual fund industry in India. The result of a survey conducted by them was also described in this article. The investors liked investing in mutual funds as well as the stocks .investors were ready to park their surplus in the promising high return investments. Safety   of investment was the major factor which influenced their investment decisions. Short- term investment in mutual fund was preferred by most of the investors. They suggested that mutual fund houses must introduce tailor-made products to cater to the needs of the investors.

Sadhak (2007) in his book wrote fund managers and investors with a thorough analysis of mutual funds as important financial intermediaries. Immensely popular, yet controversial as investment vehicles, mutual funds experienced tremendous growth when they entered India's financial service sector. However, the slump in the mutual funds market revealed that the Indian investors were still unable to fully comprehend the intricacies of investing in these complex and sophisticated investment options. Drawing on years of managerial experience in mutual funds backed by meticulous research, he lucidly explained the characteristics of mutual funds, and the benefits/risks of investing in them. In addition, he described recent changes in regulatory practices, marketing strategies, investment management, products, distribution, and service delivery system. Several improvements in the strategic and operational practices of mutual funds are suggested keeping in mind the mechanisms used by fund managers in developed economies.

Tripathy (2007) in her book explained the basic concept of mutual funds, operational policies, practices, Investment in securities, some aspects of portfolio management, selection, mutual fund marketing and a detailed analysis of latest development in mutual fund industries.

Sharan (2007) found out that Mutual funds were significant financial intermediary collecting funds mainly from small investors and investing them in financial market securities. Till 1986, the entire mutual funds activities were vested in the Unit Trust of India. In 1987, a few public sector banks, Life Insurance Corporation of India and GIC entered the mutual fund business. Again, it was in 1993 that private sector companies were allowed to operate in this area. Thus in view of growing mutual fund activities, regulation became imperative and it was the SEBI that began regulating them. It is not simply the regulation; several policy measures were taken to reform the functioning of particular intermediary. In his paper he highlights them and analyses their impact.

Deb, Banerjee, and Chakrabarti (2007) attempted to find the stock selection and market timing abilities of Indian mutual fund managers using unconditional as well as conditional approaches. With a sample of 96 Indian mutual fund schemes, a lack of market timing ability and presence of stock selection ability were observed among the Indian fund managers in both unconditional and conditional approaches. A pooled regression was carried out for various categories of funds as well as for the entire sample, which also showed a lack of market timing abilities and presence of stock selection abilities.

Acharya and Sidana (2007) attempted to classify hundred mutual fund employing cluster analysis and using a host of criteria like the year total return, 2 year annualized return alpha, beta, R- squared, sharper's' ratio etc. they found evidence of inconsistencies between the investment style/objective classification and return obtained by the fund.

Pollet and Wilson (2008) studied that if actively managed mutual funds suffered diminishing return to scale funds should alter investment behavior as asset under management increase. Although asset growth had little effect on the behavior of the typical fund, the writers found that large funds and small-cap funds, were associated with better performance. Fund family growth was related to the introduction of new funds that hold different stocks from their existing siblings. Funds with many sibling diversify less rapidly as they grow, suggesting that the fund family may influence a funds' portfolio strategy.

Das, Mohanty, and Shil (2008) made an earnest attempt to study the behavior of the investors in the selection of mutual fund and life insurance as two investment vehicles in an Indian perceptive by made a comparatative study.

Cederburg (2008) evaluated the behavior of mutual fund investors over the business cycle. He found out that mutual fund investors behavior changes across the business cycle. In economic expansions, investors strongly display the documented behavior of chasing returns and searching for managerial skill. Expansion investors earned higher returns and alphas by pursuing this strategy, but this result is partially explained by the momentum effect. In contrast, recession investors did not chase returns and exhibited a weaker tendency to seek alpha. Even before controlling for momentum, no smart money effect existed in recessions. Instead of chasing performance, recession investors made investment decisions to change their exposure to aggregate risk factors. Investors tend to avoid fund with exposure to the market and book to market factors during recessions, while they showed the opposite pattern in expansions.

Asokan (2008) through his article give a brief adscription about mutual funds, its structure, the process of mutual fund operation, history of

mutual fund in India, the classification, AMFI and the steps to be taken by investors while selecting a mutual fund.

Beaumont, R., et al. (2008) investigated the impact of individual investor sentiment on the return process and conditional volatility of three main US market indices (Dow Jones Industrial Average, SandP500 and NASDAQ 100). Individual investor sentiment is measured by aggregate money flows in and out of domestically oriented US mutual funds. For a sample period of six years (February 1998 until December 2004), the researchers found that sentiment had a significant and asymmetric impact on volatility, increase it more when sentiment was bearish. Using terminology of De Long et al. the researchers found evidence for the "hold more" effect and 'create space effect'.

Chowdhary and George, (2009) conducted a study and the primary objective of the study was to understand the investor perception towards Mutual Funds in Andhra Pradesh the context of their investor preference, explore investor risk perception. The secondary objectives were to know the factors influencing the decision making of customers, and the problems faced by Mutual Fund investors. Based on a detailed market survey, the existing and potential market segments in different regions in Andhra Pradesh were identified along with factors of different regions influencing customers to invest in Mutual Funds. It was also found that for any financial services, the company maintaining customer relationship is the very key to generating and maintaining business. Consumer Perception towards Mutual Funds reveals that most of the customers in A.P were not aware of Mutual Funds, though a few of them had good knowledge; but they were not ready enough to invest in the funds due to volatile market conditions. This was because of the risk factor, the amount of risk customers are ready to take is either less or moderate. It also brought to

the limelight the investment habits and attitude of investors towards different investment opportunities.

Walia and Kiran (2009) identified the critical gap in the existing framework for mutual fund and further extended it to understand realizing need of redesigning existing mutual fund services by acknowledging Investor Oriented Services Quality Arrangements(IOSQA) in order to comprehend investor's behavior while introducing any financial innovation.

Palmiter and Taha (2011) found that fund investors were unaware of the basics of their funds, pay insufficient attention to fund costs and chase past performance despite little evidence that high past fund returns predict future returns. These findings suggested that policy makers should rethink the current regulatory policy, disclosure may not be enough.

Parihar, Sharma and Singh Parihar (2009) analyzed the impact of different demographic variables on the attitude of investors towards mutual funds. Apart from this, it also focused on the benefits delivered by mutual funds to investors. To this end, 200 respondents of Agra region, having different demographic profiles were surveyed. The study revealed that the majority of investors have still not formed 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. Moreover, in India, mutual funds were back in fashion. By the end of August 2006, the assets under management of mutual funds surpassed the figure of Rs. 300,000 cr. It indicates that there is a lot of scope for the growth of mutual fund companies in India, provided there are funds to satisfy everybody's needs and sharp improvements in service standards and disclosure.

Kayumi (2010) conducted research based on primary study of investment pattern, in mutual funds. This study would help to make

investors more conscious and alert while making investment decisions. This study would also benefit the MF companies to understand the investors' behavior and expectations while making investments.

Prashar (2010) in her paper highlights state wise factors which affect the perception of investors while investing in mutual funds. This research would also suggest few marketing strategies which should vary from one state to another.

Muncherji and Rijwani (2010) studied the relative importance of factors considered important in the selection of mutual fund by individual investors who were academicians by profession. The result of the study pointed to three important factors which dominate the choice of mutual funds. They were past performance, size of the funds and cost of the transaction.

Bailey,Kumar, and Ng (2011) examined the effect of behavioral biases on the mutual fund choices of a large sample of U.S.discount brokerage investors using new measures of attention to news, tax awareness, and fund level familiarity bias, in addition to behavioral and demographic characteristics of earlier studies. Behaviorally-biased investors typically make poor decisions about fund style and expenses, trading frequency, and timing, resulting in poor performance. Furthermore, trend-chasing appears related to behavioral biases, rather than to rationally inferring managerial skill from past performance. Beyond documenting the importance of behavioral factors in the delegated management setting of mutual funds, applying factor analysis to the individual behavioral bias measures and other characteristics identifies several investor stereotypes that we relate to mutual fund trading and performance.

Cashman, G.D., et al. (2011) by using a large sample of monthly gross flows from 1997 to 2003, uncovered several previously undocumented regularities in investor behavior. They were: 1) Investor

purchases and sales produce fund level gross flows that are highly persistent. Persistent in fund flows dominated performance as a predictor of future fund flows. Also, failing to account for flow persistence leads to incorrect inference with respect to the relation between performance and flows. 2) They documented that investors react differently to performance depending on the type of fund, and that investor trading activity produced meaningful differences in persistence of fund flows across mutual fund types. 3) At least some investors appeared to evaluate and respond to mutual fund document differences in the speed and magnitude of investors' purchase and sales responses to performance.

Kandavel (2011) conducted a study to see the factors influencing the retail investors to prefer investment regarding the mutual funds in Puducherry. The study was based on the formulation of the following hypotheses: there was no significant relationship among acceptance level of retail investors belonging to different demographic profile towards factors influencing the retail investors to prefer investment in mutual funds in Puducherry, Chi-square test, analysis of one –way variance, student T-test, analysis of co-efficient of variation, multiple regression analysis, and percentage analysis have been employed. This study looked at the small investors purchase behavior does not have a high level coherence due to influence of different purchase factors.

Saini, Anjum, and Saini (2011) analysed the mutual fund investments in relation to investor's behavior. Investors' opinion and perception had been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, role of financial advisors and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc.

Gupta and Chander (2011) presented a comparative analysis of retail and non-retail mutual fund investors with respect to sources of information in the context of their selection of various mutual funds for their investments. Primary data collected from 400 retail and 50 non-retail investors, randomly selected from the cities under survey, was used to assess the components of sources of information. Factor analytic technique resulted in four components: advertisement and shows, data and information, advice and recommendations, and published returns. Inferential statistics on Anderson Rubin (AR) factor scores depicts the significant difference between retail and non-retail mutual fund investors with respect to 'advertisement and shows' and 'published returns'. The study has been an addition to the existing literature and might help in improving the strategies of asset management companies.

Gupta, Chawla and Harkawat (2011) carried out a study through questionnaire survey in Naranpura are of Ahmadabad, Gujarat. Hypothesis was tested using z-test and Chi-square. The analysis finding suggested that the majority of investors were aware about mutual funds and were willing to invest in mutual fund. Most preferred scheme was balanced fund. The findings also suggested that investment is fixed deposit is more likely to be done than mutual funds. The hypothesis was also proving that the occupation of the investor is not affected in investment decision for mutual funds.

Pellinen, A., et al. (2011) in their study, attempted to provide further understanding of the financial capability of mutual fund investors, and compare internet and branch office investors. They tried to examine mutual fund investors' abilities and awareness of the terms and risks of mutual fund investments using a novel measurement instrument. Ability measurement techniques adapted from educational and psychological studies were applied in the paper. Empirical survey data was collected in Finland. Findings of the study were differences between different types of investors in terms of

financial knowledge. The channel used by the investors in making investments, differentiated the more knowledgeable internet investors from the less knowledgeable branch office investors.

Saibaba and Vipparthi (2012) conducted a study on perceptions of investors on mutual funds. The study revealed that the mutual fund business in Warangal city was in the growth stage. Majority of the investors had stated that lack of knowledge as the primary reason for not investing in mutual funds. Diversification of portfolio, minimization of risk, grater tax benefits were the top most factors that motivate investor to invest in mutual funds.

Junare and Patel (2012) attempted to study the investors' preference and performance level of Mutual Funds in the present market. A survey had been used to collect primary data, 246 questionnaires were used to interpret the result. The study was based on survey conducted in Ahmedabad and Gandhinagar in month of September –November 2011. Questionnaire items were developed through a two stage process involving a review of literature and two pilot studies of focus groups to identify the attributes for assessing mutual fund industry. SPSS and Microsoft Excel have been used to analyze and interpret the data. It was concluded from the finding of the research that, the awareness level regarding mutual funds was very less in area covered for study. People were not aware of the advantage that they can get by investing in mutual funds nor were they aware of the basic functioning of mutual funds.

Ajaz and Gupta (2012) investigated the preferences of investors towards mutual fund schemes. The primary data was collected across the states of Jammu and Kashmir and Punjab. Various statistical tools were applied to the data so collected. The findings of the study revealed that investment returns, perception of investors, information sources, investors

valuation, investors objectives and investments decisions have significance impact on retail investors preferences.

Jain and Mehra (2012) made an effort to check the awareness among the management academicians about mutual funds, their concept and the services they provide. It studied the awareness about mutual funds among management academicians on several parameters. The study was conducted in Rajasthan and 100 questionnaires were distributed to randomly selected management academicians. The results showed a low level of awareness about mutual funds in Rajasthan among management academicians. There was a vast scope and several opportunities were available for the growth of the mutual fund industry. But for that management academicians have to be well aware so that they can teach their students well the management students being the key to disseminate the knowledge of this industry and take this industry to greater heights.

2.4. Studies on Investors' Behavior Models

Grable (1997) conducted a study to determine whether the variables gender, age, marital status, occupation, self-employment, income, race, and education could be used individually or in combination to both differentiate levels of investor risk tolerance and also classify individuals into risk-tolerance categories. The Leimberg, Satinsky, LeClair, and Doyle (1993) financial management model was used as the theoretical basis for this study. The model explains the process of how investment managers effectively develop plans to allocate a client's scarce investment resources to meet financial objectives. An empirical model for categorizing investors into risk-tolerance categories using demographic factors was developed and empirically tested using data from the 1992 Survey of Consumer Finances (SCF) (N = 2,626).

Barberis, Shleifer, and Vishny (1998) presented a parsimonious model of investor sentiment, or how investors form beliefs, which are consistent with the empirical findings. The model was based on psychological evidence and produced both under reaction and overreaction for a wide range of parameter values.

Lenard, Akhter, and Alam (2003) empirically investigated investor attitudes toward mutual fund. Their model, based on investor responses, developed an investor's risk profile variable. The result indicated that regardless of whether the investors invest in nonemployer plans or in both employer and nonemployer plans, they considered their investment risk, fund performance, investment mix, and the capital base of the fund before switching funds. The model developed in the study can also assist in predicting investors' switching behavior.

Hallahan, Faff, and McKenzie (2004) analyzed a large database of psychometrically derived financial Risk Tolerance Scores (RTS) and associated demographic information. They found that people's self-assessed risk tolerance generally accords with RTS. Furthermore, they found that gender, age, number of dependents, marital status, income, and wealth were significantly related to the RTS. Notably, the relationship between age and risk tolerance exhibits a significant nonlinear structure.

Lovric, Kaymak, and Spronk (2008) presented a descriptive model of individual investor behavior in which investment decisions were seen as interative process of interactions between the investor and investment environment. This model could be used to build stylized representations of individual investors, and further studied using the paradigm of agent-based artificial financial markets.

Liang, Wang, and Farquhar (2009) developed and empirically tested a model examining the relationship between customer perceptions

such as product attributes, benefits, customer satisfaction, trust, commitment and customer behavior loyalty and financial performance of merchant bank. SEM results indicate that customer perception positively affects financial performance; and customer purchase financial services with dissimilar benefits, all of which come with corresponding attributes, and hence result in different levels of customer satisfaction and behavioral sequence, which is important in reinforcing customer's trust, commitment, repurchase intentions and corporate financial performance.

Lee, C., et al. (2010) in their paper, integrated prospect theory, reference point adaptation and cognitive –experimental self –theory to provide more insight on such investors' capitulation. They empirically studied the contribution of each component as well as their interrelationship in two dynamic experiments.

Chou, Huang, and Hsu (2010), attempt to establish a model by which they can measure attitudes and behavior towards investment risk. A sample of Taiwanese investors are surveyed to determine their past investment experience as an anchor, and to record their responses when exposed to economic signals. This was implemented to form a framework for interpretation of their respective attitudes and behaviors. Empirical results found no difference by gender to investor propensity to take a risk, nor in cognitive perception of such behaviour. However, higher and lower perceptions of risk were indicated by investors according to their personal investment experience. Investors with little experience in stocks and structured notes were found to have significantly heightened perception of risk. Thus the model proposed is relevant in finding a positive correlation between experience and propensity of risk, though the understanding of such remains uncertain. With respect to financial products other than mutual funds, investor propensity and perception of risk tend to show a negative correlation. Similarly, investor perceptions of risk and expected

returns indicate a significant negative correlation. Finally, when positive information is presented, investor perception on structured notes is lower with higher expected remuneration.

Schmidt and Brandt (2011) carried out a research to gain a better understanding of factors, which drove individuals' participation in capital markets through mutual funds. They used an attitude-behaviour model (TPB) established by Schmidt (2010) as the basis and extended it to derive differential prognosis for the willingness and intention to invest in mutual funds. They analyzed multiple latent nonlinear effects within existing TPB variables of the structural equation model (SEM). Furthermore, they included additional variables that could influence the relations. The data set used for analysis results from a primary survey, conducted in Germany in 2009 and consists of 1,672 participants.

From the review of studies cited above, it can be found that most of the studies are related with investors' general financial behavior, risk attitude, mutual fund selection behavior and models of investor behavior. The literature still lacks a comprehensive study establishing the combined influence of risk attitude of investors, investment specific attitude of investors, characteristics of mutual funds and qualities of fund management on mutual fund investment decisions. No major studies on these aspects are reported in India. The motivation for the present research is derived from these limitations.

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Chapter 3

MUTUAL FUNDS IN INDIA — AN OVERVIEW

3.1. Introduction

In India, as a result of the governmental policy of liberalization in industrial and financial sector, there are lots of investment alternatives available to common investors. These new instruments are expected to impart greater competitiveness, flexibility and efficiency to the financial sector.

The major investment avenues available in India are classified into marketable and non-marketable investment avenues. The non-marketable financial assets (bank deposits, post office schemes, company deposits, life insurance and public provident funds) are such financial assets which give moderately high return but cannot be traded in the market. The marketable financial assets are bonds, debentures, money market instruments, financial derivatives like swaps, options, futures, stocks (Equity and preference share) and mutual funds. Today, the non financial investments like real estate and precious objects like gold, silver, precious stones and art objects are also considered as investment avenues.

An investor with investable surplus can invest in the investment avenues available in the financial market. He however needs to invest carefully and work out various investments options. He then decides on how to make best of his investment in terms of monetary benefits.

The stock market provides higher returns than any of the investment options available in the financial market. A prudent investor can earn a lot from the stock market operations. But there is a chance of high risk and uncertainty. As we know, higher the return, higher will be the risk. Those investors with lack of knowledge and expertise may lose their money while investing in financial assets, especially in securities. This is where mutual funds come into picture.

As household sector's share is much larger in the country's savings, it is all the more important to show a right path for their savings. Mutual fund is a retail financial instrument ,service or product designed to target small investors , salaried people ,household sectors and others who are intimidated by the mysteries of stock market but , nevertheless, like to reap the benefit of stock market investing.

Mutual Funds are the ideal investment vehicles for today's complex and modern financial scenario. A typical individual is not likely to have the knowledge, skill, inclination and time to keep track of and understand the cause and implications of the price changes and trends. Mutual Funds are the financial intermediaries who act for individuals with their expertise in managing money. A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money collected is invested by fund managers in different type of securities. These could range from shares to debentures to money market instruments, depending upon the scheme's stated objectives. The income earned through these investments and capital appreciations realised by these schemes are shared by its unit holders in proportion to the number of units owned by them. Thus Mutual Fund is the most suitable investment for a common man as it offers an opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost.

3.2. Mutual Funds- The Concept

A mutual fund is a company, corporation, trust, partnership that combines the asset of its unit holders into one common investment account for the purpose of providing diversification and professional management.

The Encyclopedia Britannica defines a mutual fund as "Mutual Fund also called Unit Trust or Open-Ended Trust- a company that invest the fund of its subscribers in diversified securities and in turn issues unit

representing shares in those holding. They make continuous offering of new shares at net asset value and redeem the shares on demand at NAV determined by market value of the securities they hold. The SEBI (Mutual Fund) Regulations, 1993 defines a Mutual Fund as, "a fund established in the form of a trust by a sponsor, to raise money by the trustees through the sale of units to public under one or more schemes, for investing in accordance with these regulations.

From the definitions of mutual fund stated above and similar definitions, it is revealed that a mutual fund is an investment company or a trust that pools the resources of a large number of its' shareholders and invest on behalf of them in diversified portfolios to attain the objectives of the investors which in return achieve income or growth or both. Thus mutual funds become a major investment vehicle for mobilization of savings particularly from small and household sectors for the investment in security market. At present the importance of mutual funds in India has been increasing in the capital market by expanding the investors' base.

On a close examination of the meaning and definitions of mutual funds, the following features can be identified:

1) It is established as a fund in the form of trust having professional management

2) It is established by a sponsor

3) It is created to raise funds through sale of units of various schemes

4) It has common investing group and having, diversified investment opportunities

5) It has pooling of collective sharing of profit earned.

6) It has having efficient portfolio management and portfolio contraction as per the objectives of individual MF scheme.

The mutual fund operation flow chart is drawn below:
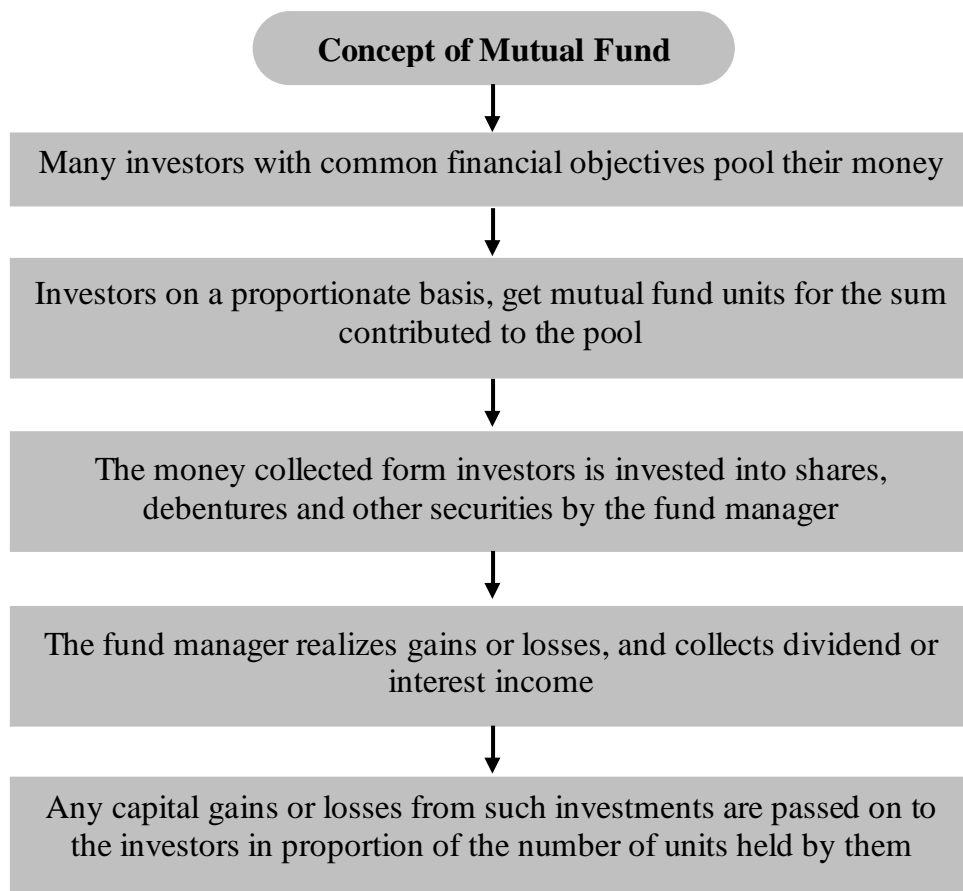
Source: Retrieved from www.appuonline.com

Figure 3.1. The Mutual Fund Operation Flow Chart

3.3. Structure of Mutual Funds in India

SEBI contemplated a four-tier system for managing the affairs of mutual funds. The four constituents were the sponsoring company, trustees, the custodians and the Asset Management Company. The details of these constituents are as follows:

(**1**)   **Sponsor** - The Company which sets up the mutual fund is called the sponsor. It is this agency which of its owner or in collaboration with other body corporate comply the formalities of establishing a mutual fund. The SEBI has laid down certain criteria to be met by the

sponsor. These criteria mainly deal with adequate experience of five years, good past track record, net worth etc.

(2) **Board of Trustees -** Trustees are people with long experience and good integrity in their respective fields. A company is appointed as a trusty to manage the Mutual Funds. To ensure fair dealings, Mutual Fund regulation requires that one cannot be trusty or a director of a trusty company in more than one mutual fund. Trustees are to appoint Asset Management Company to float the schemes. Trustees carry the crucial responsibility of safeguarding the interest of investors. For this purpose, they monitor the operations of different schemes. They have wide ranging power and they can even dismiss Asset Management Company with the approval of the SEBI.

(3) **Asset Management Company (AMC) -** The AMC actually manages the funds of various schemes. The AMC employs a large number of professional to make investments, carry out research and do agent and investor serving. In fact, the success of any MF depends upon the efficiency of this AMC. The AMC submits a quarterly report on the functioning of the mutual fund to the trustees who will guide and control the AMC.

(4) **Custodian -** The mutual fund shall use the services of a custodian registered with SEBI for safe custody of the securities. The custodian should not be linked with the AMC. Custodian shall be responsible to collect and receive all income, dividends, interest rights, capitalization of reserved etc. relating to securities belonging to be mutual fund. He shall maintain proper records and hold securities of the mutual fund scheme-wise.

The structure of a mutual fund in India presented in the following diagram.
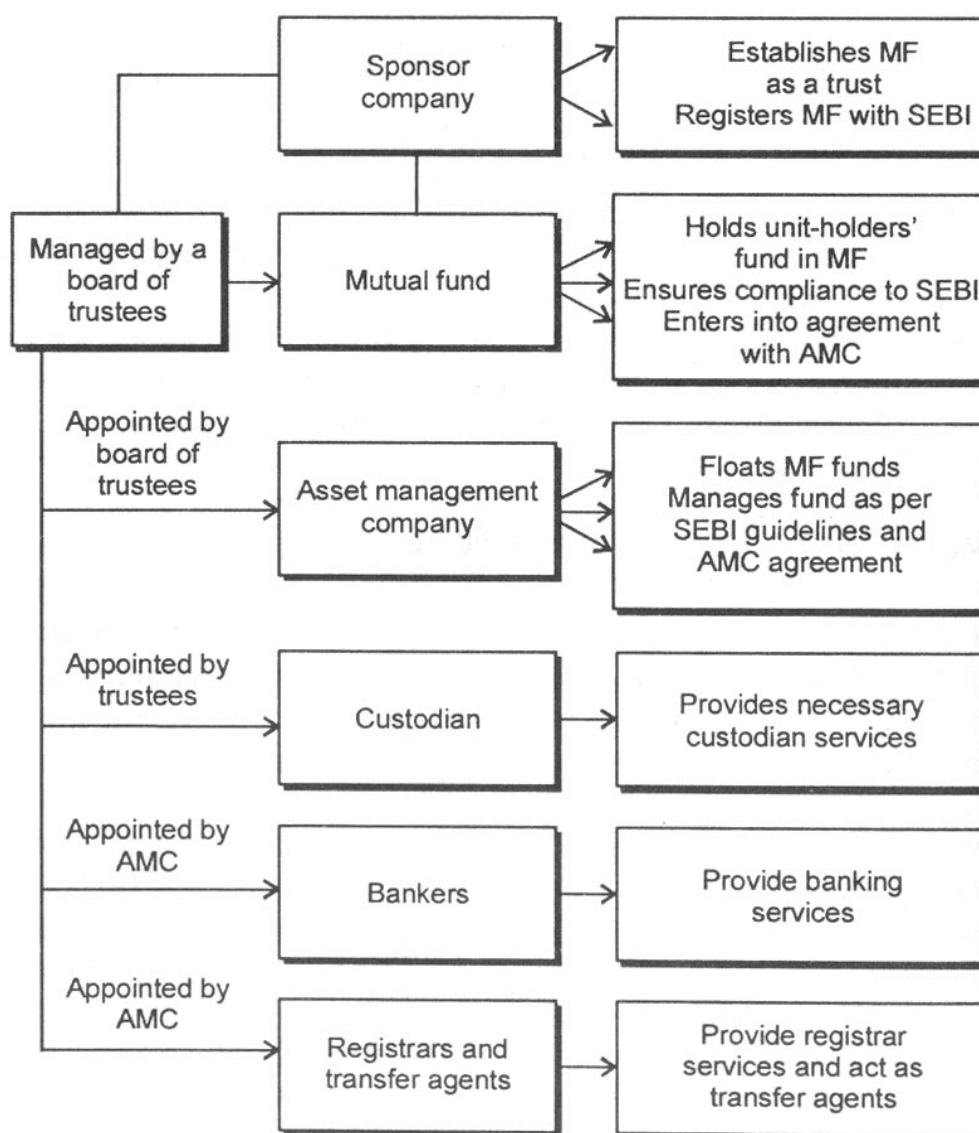
Source: Sadhak, H. (2007).*Mutual Funds in India-Marketing Strategies and Investment Practices.*, New Delhi: Response Books.

Figure 3.2 Structure of a Mutual Fund

3.4. Benefits of Investments in Mutual Funds

The investment in mutual fund provides many benefits to investors. Mutual fund helps small investors to enter into capital market with minimum investment. The benefits available to investors are:

(1). Affordability - mutual funds allow investors to start with small investments. For example, if an investor wants to buy a portfolio of blue chips of moderate size, he/she should at least have a few lakhs of rupees. A mutual fund gives the investor the same portfolio for meager investments of Rs 1000-5000.A mutual fund can do that because it collects money from many people and it have a large corpus.

(2). Professional Management - The major advantage of investing in a mutual fund is that an investor gets a professional money manager for a small fee. The investor can leave the investment decisions to the professional manager and only have to monitor the performance of the fund at regular intervals.

(3). Diversification - Considered the essential tool in risk management, make it possible for investors to diversify its portfolio because of large corpus. However, a small investor cannot have a well-diversified portfolio because it calls for large investment. Mutual Funds help the investors to diversify his risk.

(4). Convenience - Mutual funds offer tailor-made solutions like systematic investment plans and systematic withdrawal plans to investors, which is very convenient to investors. Investors do not have to worry about the investment decisions or they do not have deal with brokerage or depository, etc.for buying or selling of securities. Mutual funds also offer specialized schemes like retirement plans, children's plan, and industry specific schemes etc. to suit the personal preference of investors. These schemes also help small investors with asset allocation of their corpus. It also saves a lot of paper work.

(5). Cost Effectiveness - A small investor will find that a mutual fund route is a cost effective method. AMC fee is normally 2.5% and they also save a lot of transactions costs as they get concession from brokerages. Also, they get the service of a financial professional for a very small fee. If they were to seek a financial advisors' help directly, they may end up pay more. Also the size of the corpus should be large to get the service of investment experts, who offer portfolio management.

(6). Liquidity - Investors can liquidate their investments anytime they want. Most mutual funds dispatch checks for redemption proceeds within two or three working days. Investors also do not have to pay any penal interest in most cases. However some schemes charge exit load.

(7). Tax breaks - Investors don't have to pay any taxes on dividends issued by mutual funds. They also have the advantage of capital gains taxations. Tax –saving schemes and pension schemes give them the added advantage of benefits under sec.88, investments up to Rs 100000 in them qualify for rebate.

(8). Transparency - Mutual funds offer daily NAV of schemes, which help to monitor investors investments on a regular basis. They also send quarterly newsletters, which give details of the portfolio, performance of schemes against various benchmarks,etc. They are also well regulated and SEBI monitors their actions closely.

(9). Innovative schemes to suit unique needs of different investors - There are schemes that offer international diversification to reduce the geographical risk. There are derivatives funds which adopt various derivative strategies to gain from the either side movement of the market. Capital protection funds offer a unique feature of capital protection coupled with market linked returns

3.5. Classification of Mutual Funds

3.5.1. General Classification of Mutual Funds.

Generally, mutual funds can be classified into three namely open end funds and closed end funds.

3.5.1.1. Open-end Funds

Funds that can sell and purchase units at any point of time are classified as Open-end Funds. The fund size (corpus) of an open-end fund is variable (keeps changing) because of continuous selling (to investors) and repurchases (from the investors) by the fund. An open-end fund is not required to keep selling new units to the investors at all times but is required to always repurchase, when an investor wants to sell his units. The NAV of an open-end fund is calculated every day.

3.5.1.2. Closed-end Funds

Funds that can sell a fixed number of units only during the New Fund Offer (NFO) period are known as Closed-end Funds. The corpus of a Closed-end Fund remains unchanged at all times. After the closure of the offer, buying and redemption of units by the investors directly from the Funds is not allowed. However, to protect the interests of the investors, SEBI provides investors with two avenues to liquidate their positions:

1. Closed-end Funds are listed on the stock exchanges where investors can buy/sell units from/to each other. The trading is generally done at a discount to the NAV of the scheme. The NAV of a closed-end fund is computed on a weekly basis (updated every Thursday).

2. Closed-end Funds may also offer "buy-back of units" to the unit holders. In this case, the corpus of the Fund and its outstanding units do get changed.

3.5.1.3. Interval Funds

Interval funds combine the features of open-ended and close-ended schemes. They are open for sale or redemption during pre-determined intervals at NAV related prices.

3.5.2. Broad Mutual Fund Types

A wide variety of mutual fund schemes exists to cater to the needs such as financial position, risk tolerances, return expectations etc.

The Following are the broad classification of mutual funds.

3.5.2.1. Equity Funds

Equity funds are considered to be the more risky funds as compared to other fund types, but they also provide higher returns than other funds. It is advisable that an investor looking to invest in an equity fund should invest for long term i.e. for three years or more. There are different types of equity funds each falling into different risk bracket. In the order of decreasing risk level, there are following types of equity funds:

(a) **Aggressive Growth Funds -** In Aggressive Growth Funds, fund managers aspire for maximum capital appreciation and invest in less researched shares of a speculative nature. Because of these speculative investments Aggressive Growth Funds become more volatile and thus, are prone to higher risk than other equity funds.

(b) **Growth Funds -** Growth Funds also invest for capital appreciation (with time horizon of 3 to 5 years) but they are different from Aggressive Growth Funds in the sense that they invest in companies that are expected to outperform the market in the future. Without entirely adopting speculative strategies, Growth Funds invest in those companies that are expected to post above average earnings in the future.

(c) **Specialty Funds -** Specialty Funds have stated criteria for investments and their portfolio comprises of only those companies that meet their criteria. Criteria for some specialty funds could be to invest/not to invest in particular regions/companies. Specialty funds are concentrated and thus, are comparatively riskier than diversified funds. The following are the types of specialty funds:

(i) **Sector Funds -** Specialty Funds have stated criteria for investments and their portfolio comprises of only those companies that meet their criteria. Criteria for some speciality funds could be to invest/not to invest in particular regions/companies. Specialty funds are concentrated and thus, are comparatively riskier than diversified funds.

(ii) **Foreign Securities Funds -** Foreign Securities Equity Funds have the option to invest in one or more foreign companies. Foreign securities funds achieve international diversification and hence they are less risky than sector funds. However, foreign securities funds are exposed to foreign exchange rate risk and country risk.

(iii) **Mid-Cap or Small-Cap Funds -** Funds that invest in companies having lower market capitalization than large capitalization companies are called Mid-Cap or Small-Cap Funds. Market capitalization of Mid-Cap companies is less than that of big, blue chip companies (less than ₹ 2500 crores but more than ₹ 500 crores) and Small-Cap companies have market capitalization of less than ₹ 500 crores. Market Capitalization of a company can be calculated by multiplying the market price of the company's share by the total number of its outstanding shares in the market. The shares of Mid-Cap or Small-Cap Companies are not as liquid as of Large-Cap Companies which

gives rise to volatility in share prices of these companies and consequently, investment gets risky.

(iv) **Option Income Funds -** While not yet available in India, Option Income Funds write options on a large fraction of their portfolio. Proper use of options can help to reduce volatility, which is otherwise considered as a risky instrument. These funds invest in big, high dividend yielding companies, and then sell options against their stock positions, which generate stable income for investors.

(d) **Diversified Equity Funds -** Except for a small portion of investment in liquid money market, diversified equity funds invest mainly in equities without any concentration on a particular sector(s). These funds are well diversified and reduce sector-specific or company-specific risk. However, like all other funds, diversified equity funds too are exposed to equity market risk. One prominent type of diversified equity fund in India is Equity Linked Savings Schemes (ELSS). As per the mandate, a minimum of 90% of investments by ELSS should be in equities at all times. ELSS investors are eligible to claim deduction from taxable income (up to ₹ 1 lakh) at the time of filing the income tax return. ELSS usually has a lock-in period, and in case of any redemption by the investor before the expiry of the lock-in period makes him liable to pay income tax on such income(s) for which he may have received any tax exemption(s) in the past.

(e) **Equity Index Funds -** Equity Index Funds have the objective to match the performance of a specific stock market index. The portfolio of these funds comprises of the same companies that form the index and is constituted in the same proportion as the index. Equity index funds that follow broad indices like S &P CNX Nifty, Sensex) are less risky than equity index funds that follow narrow

sectoral indices like BSE BANKEX or CNX Bank Index etc. Narrow indices are less diversified and therefore, more risky.

(f)   Value Funds - Value Funds invest in those companies that have sound fundamentals and whose share prices are currently under-valued. The portfolio of these funds comprises of shares that are trading at a low Price to Earning Ratio (Market Price per Share / Earning per Share) and a low Market to Book Value (Fundamental Value) Ratio. Value Funds may select companies from diversified sectors and are exposed to lower risk level as compared to growth funds or specialty funds. Value stocks are generally from cyclical industries such as cement, steel, sugar etc. which make them volatile in the short-term. Therefore, it is advisable to invest in Value funds with a long-term time horizon as risk in the long term, to a large extent, is reduced.

(g)   Equity Income or Dividend Yield Funds - The objective of Equity Income or Dividend Yield Equity Funds is to generate high recurring income and steady capital appreciation for investors by investing in those companies which issue high dividends (such as Power or Utility companies whose share prices fluctuate comparatively lesser than other companies' share prices). Equity Income or Dividend Yield Equity Funds are generally exposed to the lowest risk level as compared to other equity funds.

3.5.2.2. Debt/Income Funds

Funds that invest in medium to long-term debt instruments issued by private companies, banks, financial institutions, governments and other entities belonging to various sectors (like infrastructure companies etc.) , are known as Debt/Income Funds. Debt funds are low risk profile funds that seek to generate fixed current income (and not capital appreciation) to investors. In order to ensure a regular income to investors, debt (or income)

funds distribute a large fraction of their surplus to investors. Although debt securities are generally less risky than equities, they are subject to credit risk (risk of default) by the issuer at the time of interest or principal payment. To minimize the risk of default, debt funds usually invest in securities from issuers who are rated by credit rating agencies and are considered to be of "Investment Grade". Debt funds that target high returns are more risky. Based on different investment objectives, there can be the following types of debt funds:

(a)   **Diversified Debt Funds -** Debt funds that invest in all securities issued by entities belonging to all sectors of the market are known as diversified debt funds. The best feature of diversified debt funds is that investments are properly diversified into all sectors which results in risk reduction. Any loss incurred, on account of default by a debt issuer, is shared by all investors which further reduces risk for an individual investor.

(b)   **Focused Debt Funds -** Debt funds that invest in all securities issued by entities belonging to all sectors of the market are known as diversified debt funds. The best feature of diversified debt funds is that investments are properly diversified into all sectors which results in risk reduction. Any loss incurred, on account of default by a debt issuer, is shared by all investors which further reduces risk for an individual investor.

(c)   **High Yield Debt funds -** We now understand that risk of default is present in all debt funds, and therefore, debt funds generally try to minimize the risk of default by investing in securities issued by only those borrowers who are considered to be of "investment grade". But, High Yield Debt Funds adopt a different strategy and prefer securities issued by those issuers who are considered to be of "below investment grade". The motive behind adopting this sort of risky

strategy is to earn higher interest returns from these issuers. These funds are more volatile and bear higher default risk, although they may earn higher returns for investors at times.

(d) **Assured Return Funds -** Although it is not necessary that a fund will meet its objectives or provide assured returns to investors, there can be funds that come with a lock-in period and offer assurance of annual returns to investors during the lock-in period. Any shortfall in returns is suffered by the sponsors or the Asset Management Companies (AMCs). These funds are generally debt funds and provide investors with a low-risk investment opportunity. However, the security of investments depends upon the net worth of the guarantor (whose name is specified in advance on the offer document). To safeguard the interests of investors, SEBI permits only those funds to offer assured return schemes whose sponsors have adequate net-worth to guarantee returns in the future. In the past, UTI had offered assured return schemes (i.e. Monthly Income Plans of UTI) that assured specified returns to investors in the future. UTI was not able to fulfill its promises and faced large shortfalls in returns. Eventually, the government had to intervene and took over UTI's payment obligations on itself. Currently, no AMC in India offers assured return schemes to investors, though possible.

(e) **Fixed Term Plan Series -** Fixed Term Plan Series usually are closed-end schemes having short term maturity period (of less than one year) that offer a series of plans and issue units to investors at regular intervals. Unlike closed-end funds, fixed term plans are not listed on the exchanges. Fixed term plan series usually invest in debt/income schemes and target short-term investors. The objective of fixed term plan schemes is to gratify investors by generating some expected returns in a short period.

3.5.2.3. Gilt Funds

Also known as Government Securities in India, Gilt Funds invest in government papers (named dated securities) having medium to long term maturity period. Issued by the Government of India, these investments have little credit risk (risk of default) and provide safety of principal to the investors. However, like all debt funds, gilt funds too are exposed to interest rate risk. Interest rates and prices of debt securities are inversely related and any change in the interest rates results in a change in the NAV of debt/gilt funds in an opposite direction.

3.5.2.4. Money Market/Liquid Funds

Money market / liquid funds invest in short-term (maturing within one year) interest bearing debt instruments. These securities are highly liquid and provide safety of investment, thus making money market / liquid funds the safest investment option when compared with other mutual fund types. However, even money market / liquid funds are exposed to the interest rate risk. The typical investment options for liquid funds include Treasury Bills (issued by governments), Commercial papers (issued by companies) and Certificates of Deposit (issued by banks).

3.5.2.5. Hybrid Funds

As the name suggests, hybrid funds are those funds whose portfolio includes a blend of equities, debts and money market securities. Hybrid funds have an equal proportion of debt and equity in their portfolio. There are following types of hybrid funds in India:

(a)   **Balanced Funds -** The portfolio of balanced funds include assets like debt securities, convertible securities, and equity and preference shares held in a relatively equal proportion. The objectives of balanced funds are to reward investors with a regular income, moderate capital appreciation and at the same time minimizing the risk of capital

erosion. Balanced funds are appropriate for conservative investors having a long term investment horizon.

(b)   Growth-and-Income Funds - Funds that combine features of growth funds and income funds are known as Growth-and-Income Funds. These funds invest in companies having potential for capital appreciation and those known for issuing high dividends. The level of risks involved in these funds is lower than growth funds and higher than income funds.

(c)   Asset Allocation Funds - Mutual funds may invest in financial assets like equity, debt, money market or non-financial (physical) assets like real estate, commodities etc.. Asset allocation funds adopt a variable asset allocation strategy that allows fund managers to switch over from one asset class to another at any time depending upon their outlook for specific markets. In other words, fund managers may switch over to equity if they expect equity market to provide good returns and switch over to debt if they expect debt market to provide better returns. It should be noted that switching over from one asset class to another is a decision taken by the fund manager on the basis of his own judgment and understanding of specific markets, and therefore, the success of these funds depends upon the skill of a fund manager in anticipating market trends.

3.5.2.6. Commodity Funds

Those funds that focus on investing in different commodities like metals, food grains, crude oil etc. or commodity companies or commodity futures contracts are termed as Commodity Funds. A commodity fund that invests in a single commodity or a group of commodities is a specialized commodity fund and a commodity fund that invests in all available commodities is a diversified commodity fund and bears less risk than a specialized commodity fund.

"Precious Metals Fund" and Gold Funds (that invest in gold, gold futures or shares of gold mines) are common examples of commodity funds.

3.5.2.7. Real Estate Funds

Funds that invest directly in real estate or lend to real estate developers or invest in shares/securitized assets of housing finance companies, are known as Specialized Real Estate Funds. The objective of these funds may be to generate regular income for investors or capital appreciation

3.5.2.8. Exchange Traded Funds (ETFs)

Exchange Traded Funds provide investors with combined benefits of a closed-end and an open-end mutual fund. Exchange Traded Funds follow stock market indices and are traded on stock exchanges like a single stock at index linked prices. The biggest advantage offered by these funds is that they offer diversification, flexibility of holding a single share (tradable at index linked prices) at the same time. Recently introduced in India, these funds are quite popular abroad.

3.5.2.9. Funds of Funds

Mutual funds that do not invest in financial or physical assets, but do invest in other mutual fund schemes offered by different AMCs, are known as Fund of Funds. Fund of Funds maintain a portfolio comprising of units of other mutual fund schemes, just like conventional mutual funds maintain a portfolio comprising of equity/debt/money market instruments or non financial assets. Fund of Funds provide investors with an added advantage of diversifying into different mutual fund schemes with even a small amount of investment, which further helps in diversification of risks. However, the expenses of Fund of Funds are quite high on account of compounding expenses of investments into different mutual fund schemes. The chart below gives an overview into the existing type of schemes in the industry.
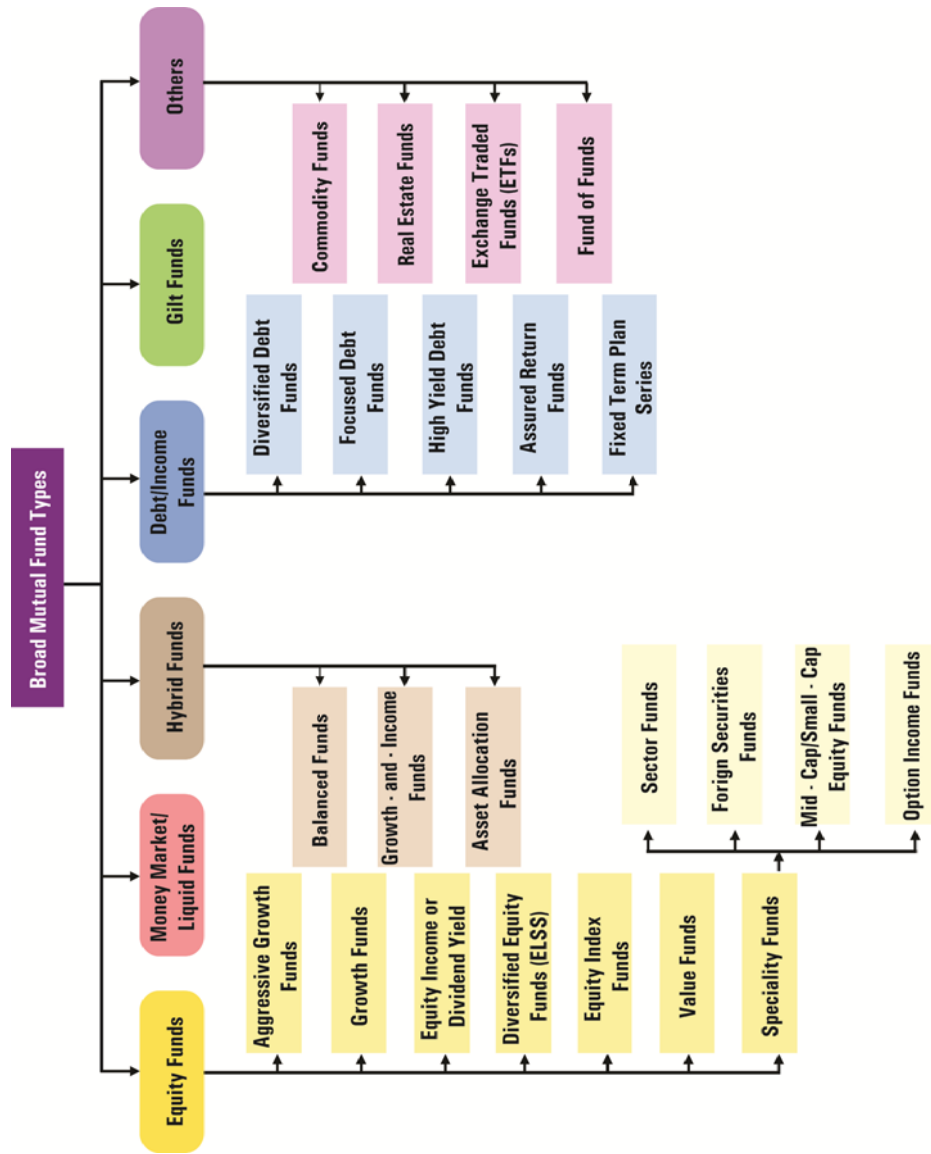
Figure 3.3. Broad Mutual Fund Types

Courtesy:www.appuonline.com

3.6. History and Growth of Mutual Fund Industry

At the dawn of commercial history, Egyptians and Phoenicians sold shares in vessels and caravans in order to spread the risk of their perilous ventures. At the same lines the idea of mutual fund had its formal origin in Belgium, Societe' Generale' de Belgique 'in 1822 as an investment company to finance investments in national industries with the modern concept of mutual funds goes to the 'Foreign and Colonial Government Trust of London established in 1868.The first open-ended mutual fund was created in Boston in 1924. Thereafter a large number of close-ended mutual funds were formed in the U.S.A. in 1930s' followed by many countries, both open and close-ended type were popular. In fact, mutual fund gained a general popularity only after the Second World War. Between 1930 and 1970 mutual funds grew relatively little, although there was an upsurge of interest in equity funds during the stock market boom of the early and mid 1960s'. However, this reversed in the 1970s following the first oil crisis and poor performance of equity markets. The collapse of International Overseas Services, a fraudulent fund management group, in the late 1960s' contributed to the loss of investor confidence in mutual funds.

A major product innovation occurred in the 1970s with the launching of money market mutual funds. They achieved high levels of development in U.S.A. and other countries with rigid restrictions on bank deposit rates. Money market mutual funds tend to grow to meet the demand from sophisticated investors who need a convenient place for parking their liquid investment balances. Growth of equity and bond funds resumed in the early 1980s as macroeconomic performance and equity markets started to improve. But growth did not become explosive until the early 1990s. Investors started to change their financial asset allocation very drastically after 1990.The global growth of mutual funds was fuelled by the increasing globalization of finance and expanding the presence of large multinational financial groups in a large number of countries and by the strong performance of equity and bond markets throughout most of the 1990s'.Today,globally, there are thousands of mutual funds with different investment objectives and they collectively manage almost as much as or more money as compared to banks.

The Table 3.1 shows the world wide mutual fund net assets and number of schemes for the period of 2008-2012.

Table 3.1 World Wide Net Assets and Number of Mutual Funds for the period 2008-2012

Year (ending 31st March)	Americas		Europe		Asia and Pacific		Africa		Total	
	Net Assets (in USD)	No.MFs	Net Assets (in USD)	No.MFs	Net Assets (in USD)	No.MFs	Net Assets (in USD)	No.MFs	Net Assets (in USD)	No.MFs
2008	10,581,988	16,459	6,231,116	36,322	2,037,536	14,909	69,417	884	18,920,057	68,574
2009	12,585,776	16,953	7,545,535	34,899	2,715,234	14,795	106,261	904	22,952,806	67,551
2010	13,586,843	18,018	7,903,389	35,292	3,067,323	15,265	141,615	943	24,699,170	69,518
2011	13,524,360	19,799	7,220,298	35,713	2,921,276	16,198	124,976	947	23,790,910	72,657
2012	14,808,328	20,911	7,902,217	34,649	3,196,428	16,934	138,283	964	26,045,256	73,458
CAGR	**0.088**	**0.062**	**0.061**	**-0.012**	**0.119**	**0.032**	**0.188**	**0.022**	**0.083**	**0.017**

Source: Compiled from http://www.ici.org/research/stats/worldwide 4/4/13

Note: The figures in the years ending 31st March 2011 and 2012 are provisional because they are Net assets of the fourth and third quarter of the respective years.

3.6.1. History of Mutual Fund Industry in India

The mutual fund industry in India started in 1963 with the formation of the Unit Trust of India, at the initiative of the Government of India and the Reserve Bank. The history of mutual funds in India can be broadly divided into four distinct phases, as follows:

3.6.1.1. First Phase-1964-87

The Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and Administrative control of RBI.

Table 3.2 Net Assets of Mutual Fund Industry in India (1964 - 1986)

Year (ending 31st March)	Net Assets (₹ In crores)	Annual increase
1964	24.67	
1965	25.94	5.15
1966	33.86	30.53
1967	48.7	43.83
1968	65.4	34.29
1969	88.3	35.02
1970	105.14	19.07
1971	119.26	13.43
1972	141.96	19.03
1973	172.09	21.22
1974	172.09	0.00
1975	169.96	-1.24
1976	176.66	3.94
1977	279.91	58.45
1978	393.7	40.65
1979	455.3	15.65
1980	513.97	12.89
1981	679.24	32.16
1982	870.24	28.12
1983	1261.33	44.94
1984	2209.61	75.18
1985	3218.34	45.65
1986	4563.68	41.80
CAGR		**0.268**

Source: Data compiled from UTI Fact Book

3.6.1.2. Second Phase-1987-1993(entry of public sector funds)

In 1978 the UTI was de-linked from RBI and IDBI took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had ₹ 6,700 crore of AUM.

1987 marked the entry of non-UTI, Public Sector mutual funds set up by the Public Sector Banks and Life Insurance Corporation of India (LIC) and GIC. SBI Mutual fund established in June 1987 followed by Can Bank Mutual Fund (Dec.87), Punjab National Bank Mutual Fund (Nov.87), Indian Bank Mutual Fund(Nov.89), Bank of India(June.90), Bank of Baroda MF(oct.92). LIC established its Mutual Fund in June '89 while GIC had setup its Mutual Fund in Dec.'90.

At the end of 1993, the Mutual Fund Industry had AUM of ₹ 47, 733 crores. The following table shows the Net assets for the period of 1987-1993.

Table 3.3 Net Assets of Mutual Fund Industry in India (1987– 1993)

Year (ending 31st March)	UTI		Others		Total	
	Amount	Annual increase	Amount	Annual increase	Amount	Annual increase
1987	4563.68				4563.68	
1988	6738.81	47.66	132	1128.03	6870.81	50.55
1989	11834.65	75.62	1621	-8.70	13455.65	95.84
1990	17650.92	49.15	1480	20.61	19130.92	42.18
1991	21376.48	21.11	1784.99	245.54	23161.47	21.07
1992	31805.69	48.79	6167.78	41.97	37973.47	63.95
1993	38976.81	22.55	8756.61	1128.03	47733.5	25.70
CAGR	0.430		1.314		0.479	

Source: Data compiled from Mutual Fund Year Book 2000

3.6.1.3 Third Phase-1993-2003 (entry of private sector funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the First Mutual Fund

Regulation came into being, under which all mutual funds, except UTI were registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The SEBI (Mutual Fund) Regulations 1993 were substituted by more comprehensive and revised mutual fund Regulations in 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also by the end of January 2003, there were 33 mutual funds with total assets of ₹ 1, 21, 805 crores. The UTI with ₹ 44, 541 crores were way ahead of other mutual funds. In 2003, UTI was bifurcated into two namely Specified Undertakings of UTI and UTI mutual fund Ltd. after the UTI 64 scam. The Following table shows the net assets of mutual fund industry for the period of 1994-2003

Table 3.4 Net Assets of Mutual Fund Industry in India (1994 – 2003)

Year (ending 31st March)	UTI		Others		Total	
	Amount	Annual increase	Amount	Annual increase	Amount	Annual increase
1994	51708.88		10721.17		62430.05	
1995	59618.64	15.30	13348.53	24.51	72967.17	16.88
1996	61528.39	3.20	12786.92	-4.21	74315.31	1.85
1997	59341.26	-3.55	10856.15	-15.10	70197.41	-5.54
1998	47611.69	-19.77	11306.53	4.15	58918.22	-16.07
1999	56010.15	17.64	14613.35	29.25	70623.5	19.87
2000	68524	22.34	34928.98	139.02	103453	46.49
2001	58017	-15.33	32570	-6.75	90587	-12.44
2002	51434	-11.35	49160	50.94	100594	11.05
2003	13516	-73.72	65948	34.15	79464	-21.01
CAGR		-0.139		0.224		0.027

Source: Data compiled from Mutual Fund Year Book 2000 and AMFI monthly

Note: In 2003 UTI bifurcated into two. So the total asset ₹ 29835 crores for the period April 2002-January 2003 is therefore excluded from the data.

3.6.1.3 Forth Phase - Since February 2003

Basically, for a period of 2-3 years, UTI distributed more dividends to the unit holders of US-64 than the return earned from the investment in the scheme. Thus UTI crisis began. The reasons for UTI crisis were (1) for open ended scheme that US-64 is, its prices were not linked to the NAV and so, the real worth of the portfolio was never known to the investors. (2) With the huge amount collecting through the said scheme, UTI in several hundred stocks. Tracking these stocks is certainly not an easy job and the performance of US-64 goes on to show that while size does not matter, too much can be a bit problem. (3) the problem of inter scheme transfer holdings, which is has been a common practice in UTI , it involves carrying dead investments for years without making any provision for them.(4) centralization of decision making. The chairman acted as fund manager. The poor fund management was the main reason for UTI crisis and (5) lack of disclosure details.

To overcome this type of crisis in future, a reform package was adopted. In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI bifurcated into two separate entities. One is the Specified Undertakings of Unit Trust of India with an AUM of ₹ 29, 835 crore as at the end of January 2003, representing broadly, the assets of US-64 scheme, assured return and certain other schemes. The Specified Undertaking of UTI, functioning under an administrator and under the rules framed by the Government of India and does not come under the preview of the MF Regulations.

The second is the UTI Mutual Fund Ltd. Sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the MF Regulations. With the bifurcation of erstwhile UTI which had in March 2000 more than ₹ 76000 crores of AUM and with setting up of UTI MF ,conforming to SEBI (MF) Regulations, and recent mergers taking place

among different private sector MFs, the mutual fund industry has entered its current phase of consolidation and growth The Following table shows the net assets of mutual fund industry for the period of 2003-2012.

Table 3.5 Net Assets of Mutual Fund Industry in India (2004 – 2012)

Year (ending 31st March)	UTI		Others		Total	
	Amount	Annual increase	Amount	Annual increase	Amount	Annual increase
2004	20617		118999		139616	
2005	20740	0.60	128860	8.29	149600	7.15
2006	29519	42.33	202343	57.03	231862	54.99
2007	37613	27.42	321484	58.88	359097	54.88
2008	48983	30.23	489525	52.27	538508	49.96
2009	48754	-0.47	444531	-9.19	493285	-8.40
2010	80218	64.54	667307	50.11	747525	51.54
2011	67189	-16.24	633349	-5.09	700538	-6.29
2012	58922	-12.30	605870	-4.34	664792	-5.10
CAGR		0.140		0.226		0.215

Source: Data compiled from AMFI monthly

3.6.2 Growth of Mutual Fund Industry

As the indicator of any economy is GDP, it is worthwhile to measure the per cent of growth with GDP. In developed markets such as the US, the AUM of mutual fund are more than 60 per cent of the GDP as compared to a little above 8 per cent in India. Even in other emerging markets it is a lot higher. Brazil for example has a ratio of 39 per cent. This difference indicates the enormous market potential in India. AUM as a percentage of bank deposits at 25 per cent. The mutual fund penetration has risen from as low as 0.4 per cent in the fiscal year 2005 to the 4.8 per cent currently.

Mutual Funds are a popular investment tool for investors because it offers a convenient and cost-effective way to invest in the financial markets. Mutual fund industry in India came with the concept of Mutual Fund in the year 1963 at the initiative of the Government of India and

Reserve Bank of India. The growth was slow initially but it accelerated from the year 1987 when non-UTI players entered the industry. The industry witnessed a compounded annual growth rate of 31.25 per cent from March 2003 to March 2011. The figure for March 2011 is the quarterly average for the first calendar quarter as the regulator stopped providing monthly average asset under management (AAUM) from September 2010 onwards.

The Indian mutual fund industry continues to find it tough to attract money from investors in the country's interiors. Despite consistent efforts to spread awareness about mutual funds as a financial product for investment, the industry has little to rejoice, as close to three-fourths of its assets still come from the country's five major cities.

Mumbai, Delhi, Bangalore, Chennai and Kolkata collectively contributed a little over 73 per cent of the assets under management (AUM) of fund houses during the December quarter. Interestingly, compared to the September quarter, this was a decline of around 150 basis points. The next 10 cities, including Ahmedabad, Pune, Hyderabad, Baroda and Jaipur, reported a marginal rise of 23 basis points, contributing 13.2 per cent of AUM. Contribution from the next 75 cities, too, declined during the period, a clear blow for the fund houses struggling to increase penetration. Though industry officials admit there is huge untapped money in India, they have failed to route this into mutual funds. Based on the overall folio number as on March 31, 2012, the penetration of mutual fund products, at less than four per cent, continues to be poor. As on March 31, 2012 there were 44 fund players managing assets worth₹ 6.64 lakh crore.

The growth of mutual fund industry is no longer centered on the major metros, it is moving out to the second line of metros which include

Kochi as well. According to a study conducted by SEBI, around 13.7 per cent of the urban households and 3.8 per cent of the rural households in Kerala are owning mutual fund units. The chief officials of all mutual fund houses recognize the growth potential of industry in Kerala. As on 31.3. 2013 the Average AUM from the state of Kerala was approximately ₹ 6,050 crores.

3.7. Recent Trends in Mutual Fund Marketing

During recent years, some innovative activities are taking place in the Indian mutual fund industry. Some of the recent developments in the Indian mutual fund industry are:

1. The measures taken up to improve marketing include widening the product basket, enlarging the chain of product placement and improved disclosure of the product.

2. The offer document/ statement of additional information have become more structured and contain information relating to service and management.

3. The use of technology for communication selling and servicing has also improved the marketing of mutual funds.

4. Investors' protection is now ensured better than earlier times.

5. Mutual fund can be purchased through selected ATMs.

6. Recently, SEBI has permitted trading of MF units on recognised stock exchanges. While trading through the stock exchange, the investor would get to know about the validity of his order and the value at which the units would get credited/ redeemed to his account by the end of the day. Whereas, while investing through MF distributor or directly with the MF, the investor gets information of the subscription and redemption details only in the form of direct communication from the MF/ AMC. Thus, by trading through the stock exchange, the investor would be able to optimize

his investment decisions due to the reduced time lag in the movement of funds. This transparency in knowing the status of order till completion helps in reducing disputes. Further, the investor would able to get a single view of his portfolio across multiple assets like securities, MF units etc.

7. Entry load is abolished.

8. Introduction of training and self-regulations for marketing personnel and the programmes for investors' education, both initiated by AMFI.

9. SEBI's Marketing Code for mutual funds, which has made mutual funds marketing a more regulated and disciplined activity, more alert to the investors' right and expectations.

The Indian mutual fund industry is also facing many problems. Currently there are 43 players with lots of different schemes. There are mergers and acquisitions are there with different fund houses, even with different schemes. Besides that, there are schemes with different sub-schemes with different plans and options. One of the major problems in the industry is that ordinary investors are not at all knowledgeable for understanding these details. The agents/ fund houses are not willing to explain the details.

Through overcoming these limitations and by introducing innovative schemes, Indian mutual fund industry can capture the market.

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Chapter 4

PREFERENCE OF INVESTMENT AVENUES AND RISK PERCEPTION OF INVESTORS

4.1   Profile of the Respondents

4.2.   Savings of Investors

4.3   Investment Avenues and Investment Decisions

4.4   Risk Tolerance of Investors

4.5   Risk Perception of Investors

In this chapter the socio-economic profile and the savings and investment behaviour of mutual fund investors are presented.

4.1 Profile of the Respondents

The data required for the study was collected from 900 individual investors in mutual funds from Thiruvanathapuram, Ernakulum and Kozhikode districts of Kerala, selecting 300 from each district. Their gender, marital status, age, locality, education, occupation and monthly income have been analysed and presented in Table 4.1.

4.1.1. Gender

The mutual fund investors covered under the study are grouped according to their gender. Out of the 900 respondents, 739 (82.10 per cent) are male and 161(17.90 per cent) are female. Generally it is seen that investors in the financial markets are dominated by men. In the present study also, the majority of the respondents are male.

4.1.2. Marital Status

Marital status is an important variable that influence the savings and investment behaviour of individuals. The marital status wise classification of the respondents shows that out of the 900 investors, 777 (86.3 per cent) are married and 123 (13.7 per cent) are single. Thus, the majority of the investors covered under the study are married people. It reveals that usually, after the marriage, people are very much conscious about their savings and investments.

Table 4.1 Socio-demographic profile of the Sample Respondents

N = 900

Variables		Frequency	Percent
Gender	Male	739	82.1
	Female	161	17.9
	Total	**900**	**100**
Marital Status	Single	123	13.7
	Married	777	86.3
	Total	**900**	**100**
Age	<20	6	0.7
	20-40	533	59.2
	40-60	343	38.1
	>60	18	2
	Total	**900**	**100**
Residential Locality	Rural	198	22
	Semi urban	291	32.3
	Urban	411	45.7
	Total	**900**	**100**
Education	X standard	25	2.8
	Plus Two/PDC	111	12.3
	Diploma/Technical	104	11.6
	Graduation	214	23.8
	Post graduation	398	44.2
	Others	48	5.3
	Total	**900**	**100**
Occupation	Govt-Employee	198	22
	Private employee	365	40.6
	Business/professionals	282	31.3
	Agriculture	16	1.8
	House wife	15	1.7
	Others	24	2.7
	Total	**900**	**100**
Monthly Income	Below 10,000	49	5.4
	10,000 - 20,000	461	51.2
	20,000 - 30,000	202	22.4
	30,000 - 40,000	104	11.6
	40,000 - 50,000	61	6.8
	50,000 and above	23	2.6
	Total	**900**	**100**

Source: Field Survey

4.1.3. Age

Individuals of different age groups have different choices and needs with regard to their investment objectives. Hence it is important to analyse the respondents according to their age. Age wise classification of the respondents covered under the study shows that only 6 (0.7 per cent) are in the age group below 20, 533 (59.2 per cent) are in the age group of 20-40, 343 (38.1 per cent) are in the age group of 40-60 and 1.8 (2 per cent) are in the age group of 60 and above. So, the majority of the investors covered under the study belong to younger age groups i.e.20-40. The Table 4.1 shows the age wise analysis of the respondents.

4.1.4. Residential Locality

Residential area is another important demographic variable that also explains the behaviour of investors. On the basis of residential area, investors are classified into three groups namely those residing in rural, semi-urban and urban areas. The 900 investors covered here include, 198 (22 per cent) from rural area, 291 (32.3 per cent) from semi- urban area and the rest 411(45.7 per cent) from urban area. Thus, the majority of investors covered are residing in the urban area. It is due to the fact that people living in the urban area are more aware of various financial investment avenues, especially mutual funds than the people in the semi-urban and rural areas.

4.1.5. Educational Qualification

Education that equips a person to make better choices with confidence is a very important factor to be analysed in the savings and investment behaviour. The investors are grouped, here, according to their educational qualifications such as X^{th} standard, plus two/ PDC, diploma/Technical, graduation, post graduation and others. The educational qualification wise classification of 900 investors shows that, 25 (2.8 per cent) have passed their X^{th} standard;

111 (12.3 per cent) have passed plus two/PDC examination; 104 (11.6 per cent) have passed their diploma/technical education; 214 (23.8 per cent) have degree ; 398 (44.2 per cent) have passed post-graduation and 48 (5.3 per cent) have acquired professional qualifications, such as medical graduates (20), CA/ICWA/ACS Graduates(15), and MCAs (13). Thus, majority, 660 (73.33 per cent), of the respondent covered under the study are having graduation and higher levels of educational qualifications.

4.1.6. Occupation

Occupation is another important variable which affect the investment behaviour of the individuals. On the basis of the occupation of the respondents, 365 (40.6 per cent) are private employees, 282 (31.3 per cent) are business/professionals, 198 (22 per cent) are government employees, 16 (1.8 per cent) are engaged in agricultural activities, 15 (1.7per cent) are house wives, 24 (2.7per cent) are engaged in others occupations. Thus, it shows that majority of the respondents, 563 (62.6 per cent) are employees. The professionals and business people, 31.3 per cent, are the next major group covered under the study. The employees, professionals, and business people are more conscious about their future and they are more savers than others.

4.1.7. Monthly Income

Saving behaviour of the investors is very much influenced by their income. For income wise analysis , monthly income of the respondents were collected and they are grouped into six categories according to their income such as ₹ 10,000 - 20,000, ₹ 20,000 - 30,000, ₹ 30,000 - 40,000, ₹ 40,000 - 50,000 and ₹ 50,000 and   above. The classification of the respondents based on their monthly income showed that, 49 (5.4 per cent) were having income below ₹ 10,000, 461 (51.2 per cent) are belonging to ₹ 10,000 -20,000, 202(22.4 per cent) were in the income group of ₹

20,000 - 30,000, 104 (11.6 per cent) were in the income group of ₹ 30,000 - 40,000, 61(6.8 per cent) were in the income group of ₹ 40,000 - 50,000, and 23(2.6 per cent) were in the income group of ₹ 50,000 and above. It shows that majority of the respondents (85.2 per cent) having monthly income between ₹ 10,000 – 40,000 because majority of the respondents covered under the study were employees.

4.2. Savings of Investors

The act of saving is the nominal preservation of money for future use. Investing is the process of using money (called "capital") to buy an asset that one thinks will generate a safe and accepTable return over time, making him wealthier with each passing year. Investing is the way that one will begin to really grow his/her money and begin to build wealth. Saving and investing are two related, but independent, processes. The stepping stone for investing is savings itself. The amount of financial resources and the volume of capital formation in a country also depend upon the intensity and efficiency with which savings are encouraged, gathered, and directed towards investment. Hence, it is very important to know the saving and investment behaviour of the respondents.

4.2.1. Savings of the Investors

Saving is abstaining from present consumption for a future use. Savings are sometimes autonomous coming from household as a matter of habit. For understanding the saving habits of the respondents, they were asked to give a tick mark to one of the given options in which they belong. The data collected from the respondents about their percentage of savings to annual income are grouped into five categories such as below 5 per cent, 5-10 per cent, 10-15 per cent, 15- 20 per cent and 20 per cent and above and are presented in the Table 4.2.

Table 4.2 Savings of Investors

Savings (Percentage to annual income)	Frequency	Per cent
Below 5%	35	3.90
5%-10%	118	13.10
10%-15%	117	13.00
15%-20%	164	18.20
20%and above	466	51.80
Total	**900**	**100.00**

Source: Field Survey

From the Table, it is clear that, out of 900 investors, 466 (51.8 per cent) investors are saving 20 per cent and above of their annual income, 164 (18.2 per cent) investors are saving 15 per cent-20 per cent of their annual income,118 (13.1per cent) investors are saving 5 per cent -10 per cent of their annual income, 117 (13 per cent) investors are saving 10 per cent -15 per cent of their annual income and 35(3.9 per cent)are saving only below 5 per cent of their annual income. So from the analysis it is clear that majority of the investors (51.8 per cent) are saving 20 per cent and above of their annual income.

The savings of the respondents are also analysed here according to their gender, age and income.

The data collected from the mutual funds investors about their savings are cross tabulated based on the gender and presented in the Table 4.3. From the analysis, it is clear that among male, about 57.8 percent have more than 20 percent saving. However among female only 24.2 percent have more than 20 percent saving. This implies that saving percentage is more among male compared to female.

Table 4.3 Percentage of Savings of Investors – Investors' Gender wise Analysis

| Gender | Savings -Percentage to Annual Income | | | | | Total |
	Below 5 %	5% - 10%	10% - 15%	15% - 20 %	20% and above	
Male	22	82	83	125	427	739
	(3.00)	(11.10)	(11.20)	(16.90)	(57.80)	(100.00)
Female	13	36	34	39	39	161
	(8.10)	(22.40)	(21.10)	(24.20)	(24.20)	(100.00)
Total	**35**	**118**	**117**	**164**	**466**	**900**
	(3.90)	**(13.10)**	**(13.00)**	**(18.20)**	**(51.80)**	**(100.00)**
χ^2 =64.193** df = 4 P < 0.001						

*Figures in the parenthesis denote percentage to row total; ** significant at 0.01 levels,*
Source: Field Survey

To know whether there exists any significant relation between gender and savings, chi square test was conducted at one per cent level of significance and the result is also exhibited in the above Table. From this, it can be concluded that there exist a significant relation between the savings and the gender as the test is found to be significant with p value less than 0.001(p<0.001).

The data collected from the mutual funds investors about their savings of income were cross tabulated based on their age and presented in the Table 4.4. From this, it can be noted that 50 per cent of the respondents in the age group of below 20 are saving only less than 5 per cent; 16.7 per cent are saving in between 5 to 10 per cent; 33.3 per cent are saving 20 per cent and above. Among the respondents in the age group of 20-40, 3.6 per cent are saving below 5 per cent;15.2 per cent are saving 5-10 per cent;12.8 per cent are saving 10-15 per cent ; 19 .7 per cent are saving 15-20 per cent and 48.8 per cent are saving 20 per cent and above. In the age group of 40-60, 2.9 per cent are saving below 5 per cent; 7.9 per cent are saving 5-10 per cent;13.4 per cent are saving 10- 15 per cent; 16.9 per cent are saving 15-20 per cent and 58.9 per cent are saving 20 and above per cent of their annual income.

Table 4.4 Percentage of Savings of Investors – Investors' Age wise Analysis

Age	Savings % to annual income					Total
	Below 5%	5%-10%	10%-15%	15%-20%	20%and above	
Below 20	3	1	0	0	2	6
	(50.00)	(16.70)	0.00	0.00	(33.30)	(100.00)
20-40	19	81	68	105	260	533
	(3.60)	(15.20)	(12.80)	(19.70)	(48.80)	(100.00)
40-60	10	27	46	58	202	343
	(2.90)	(7.90)	(13.40)	(16.90)	(58.90)	(100.00)
60 and above	3	9	3	1	2	18
	(16.70)	(50.00)	(16.70)	(5.60)	(11.10)	(100.00)
Total	35	118	117	164	466	900
	(3.90)	(13.10)	(13.00)	(18.20)	(51.80)	(100.00)

χ^2 =84.129** df = 12 P < 0.001

*Figures in the parenthesis denote percentage to row total; ** significant at 0.01 levels, Source: Field Survey*

Among the respondents of the age group 60 and above, 16.7 per cent are saving less than 5 per cent, 50 per cent are saving in between 5-10 per cent, 16.7 per cent are saving 10-15 per cent, 5.6 per cent are saving in between 15-20 per cent and 11.1 per cent are saving 20 and above per cent of their annual income. From this, it can be concluded that in spite of the age groups 70 per cent of the respondents are saving more than 15 per cent of their annual income.

To know whether there exists any significant relation between age and savings, chi square test was conducted at one per cent level of significance and the result is also exhibited in the Table. From this, it can be concluded that there exists a significant relation between the savings and the age, as the test is found to be significant with p value less than 0.001 (p<0.001).

The data collected from the respondents about their savings are cross- tabulated based on their income and presented in Table 4.5. Among

the income group of below ₹ 10,000, 34.7 per cent are saving below 5per cent; 28.6 per cent are saving between 5 to 10 per cent;10.2 per cent are saving 10 to 15; 4.1 per cent are saving between 15 to 20 per cent and 22.4 per cent are saving more than 20 percentage of their annual income. In the monthly income group of ₹ 10,000 to 20,000, 2.6 per cent respondents are saving below 5 per cent; 14.8 per cent are saving 5 -10 per cent; 8 per cent are saving 10-15 per cent; 10 per cent are saving 15-20 per cent and 64.6 per cent are saving more than 20 per cent of their annual income. Among the respondents in the income group of ₹ 20,000 - 30,000 majority(54 per cent) are saving above 20 per cent followed by 19.3 per cent are saving in between 15-20 per cent;, 15.3 percent are saving 10-15 per cent ; 10.9 per cent are saving in between 5-10 percent and 0.5 percentage are saving below 5 per cent of their annual income.. In the monthly income group of ₹ 30,000- 40,000, 2.9 per cent of the respondents are saving less than 5 per cent; 8.7 per cent are saving 5 - 10 per cent; 19.2 per cent are saving 15-20 per cent 46.2 per cent are saving 15-20 per cent followed by 23.1 percent who are saving above 20 per cent of their annual income. Among the respondents of the monthly income group of ₹ 40,000 - 50,000, 3.3 per cent are saving below 5 per cent; 6.6 per cent are saving in between 5-10 percent ; 32.8 per cent are saving 10 -15per cent ; 39.3 per cent are saving 15 - 20 per cent followed by 18 percent are saving above 20 per cent of their annual income and the respondents in the monthly income of above ₹ 50,000, 56.5 percent are savings above 20 percent; 21.7 per cent are saving 15-20 per cent; 17.4 per cent are saving 10-15 per cent and 4.3 per cent are saving 5-10 per cent of their annual income . From this analysis, it can be concluded that majority (51.8 per cent) of the respondents covered under study are saving more than 20 per cent of their annual income.

Table 4.5 Percentage of Savings of Investors – Investors' Income wise Analysis

Monthly Income (₹)	Savings(Percentage to Annual Income)					Total
	Below 5%	5% - 10%	10% - 15%	15% - 20 %	20%and above	
Below 10,000	17	14	5	2	11	49
	(34.70)	(28.60)	(10.20)	(4.10)	(22.40)	(100.00)
10,000 to 20,000	12	68	37	46	298	461
	(2.60)	(14.80)	(8.00)	(10.00)	(64.60)	(100.00)
20,000 to 30,000	1	22	31	39	109	202
	(0.50)	(10.90)	(15.30)	(19.30)	(54.00)	(100.00)
30,000 to 40,000	3	9	20	48	24	104
	(2.90)	(8.70)	(19.20)	(46.20)	(23.10)	(100.00)
40,000 to 50,000	2	4	20	24	11	61
	(3.30)	(6.60)	(32.80)	(39.30)	(18.00)	(100.00)
50,000 and above	0	1	4	5	13	23
	0.00	(4.30)	(17.40)	(21.70)	(56.50)	(100.00)
Total	35	118	117	164	466	900
	(3.90)	(13.10)	(13.00)	(18.20)	(51.80)	(100.00)
χ^2 =311.474** df = 20 P < 0.001						

*Figures in the parenthesis denote percentage to row total; ** significant at 0.01 levels*

Source: Field Survey

To know whether there exists any significant relation between income and savings, chi square test was conducted at one per cent level of significance and the result was also exhibited in the Table. From this, it can be concluded that there exist a significant relation between the savings and the income as the test is found to be significant with p value less than 0.001 (p<0.001).

Form the forgoing analysis; it is clear that, the majority of the respondents (83 per cent) have savings more than 10 per cent of their annual income. The gender wise analysis shows that, while, 85.9 per cent of male respondents are saving more than 10 per cent of their annual income, only 69.5 per cent of female respondents are saving more than 10 per cent of their annual income. The responsibility of look after the entire

family is usually vested with men. So they must save more than female. The age wise analysis of the respondents shows that compared to other age groups, the middle age groups(40-60) have saving more than 15 percent of the their annual income (75.8 per cent).The income wise analysis shows that the income group ₹ 10,000-20,000 are saving more than 15 per cent of their annual income. This may be because of their anxiety about future.

4.2.2. Objectives of Savings

People save money mainly because future is uncertain. So having some money saved gives them security and safety. Based on the review of literature and from the pilot study, the respondents' specific objectives of savings were identified and included in the questionnaire for collecting data. These objectives are accumulation of funds, house construction, purchasing of assets, tax savings, education of children, marriage of children, meeting contingencies, and provision for retirement life. The respondents were asked to rank these objectives as one, two, three, four, five, six, seven and eight in the order of importance they had given at the time the savings are made. The ranks given by them were analysed with the help of weighted mean and were assigned ranks to these objectives accordingly. The result, thus, obtained is presented in Table 4.6.

Table 4.6 Objectives of Savings of Investors

Objectives of Savings	Mean	Rank
House Construction	6.611	1
Accumulation of Fund	6.455	2
Marriage of Children	6.053	3
Education for Children	5.862	4
Purchasing Assets	5.216	5
Meeting Contingencies	5.061	6
Tax Savings	5.000	7
Providing for retirement life	4.032	8

Source: Field Survey.

The analysis of objectives of savings by respondents (Table 4.6) revealed that the most important objective is house construction; the weighted mean score is 6.611 and is highest. Similarly, the other objectives are ranked in the order of the mean score. Accumulation of fund is second objective, marriage of children and education of children follows the third and fourth objectives respectively. Purchasing of assets is their fifth objective. Meeting contingencies, tax savings and provision for retirement life are sixth, seventh and eight objectives respectively.

The responses collected for studying the objectives of savings were also analysed with respect to gender, age and income of the respondents. The objectives of savings according to the gender of respondents are tabulated and presented in Table 4.7.

Table 4.7 Objectives of Savings – Investors' Gender wise Analysis

Objectives of Savings	Male		Female	
	Mean	Rank	Mean	Rank
Accumulation of Fund	6.374	2	6.859	1
House Construction	6.73	1	5.899	2
Purchasing of Assets	5.209	5	5.248	7
Tax Savings	4.87	7	5.45	5
Education for Children	5.886	4	5.748	3
Marriage of Children	6.126	3	5.733	4
Meeting Contingencies	4.962	6	5.439	6
Provision for Retirement Life	4.046	8	3.965	8
$\chi^2 = 0.140^{ns}$; df =1; p=0.889				

ns -non significant at 0.05 levels,Source: Field Survey

From the analysis of data presented in the Table 4.7, it is noted that the ranking made by the male respondents according to their saving objectives from first to last and the ranking made by female respondents according to their saving objectives from first to last were interchangeable except in case of meeting contingencies and provision for retirement life.

To test the null hypothesis that male and female respondents have the same order of preference to the various objectives, Wilcoxon Signed Rank Test on ranks was conducted and the result was found to be insignificant at five per cent level of significant. This implies that the objectives of saving are almost the same among male and female respondents.

The ranks assigned by the respondents with regard to the objectives of savings are also cross-tabulated on the basis of their age and calculated the mean scores. According to the mean scores, the ranks were finally given and the result, thus, obtained is presented in Table 4.8.

Table 4.8 Objectives of Savings – Investors' Age wise Analysis

Age	Mean And Rank	Saving Objectives							
		Accumulation of Fund	House Construction	Purchasing Assets	Tax Savings	Education of Children	Marriage of Children	Meeting Contingencies	Provision for retirement life
Below 20	Mean	7.5	6	6.6	5	5		4.8	4.333
	Rank	1	3	2	4	5	8	6	7
20-40	Mean	6.608	6.64	5.32	5.063	5.758	5.726	5.087	3.944
	Rank	2	1	5	7	3	4	6	8
40-60	Mean	6.222	6.639	4.976	4.895	6.015	6.491	4.896	3.855
	Rank	3	1	5	7	4	2	6	8
60 and above	Mean	6.059	3.6	5.533	4.875	5.667	5	6.824	6.25
	Rank	3	8	5	7	4	6	1	2
$\chi^2 = 1.030^{ns}$; df =3; p=0.794									

ns- non significant at 0.05 levels; Source: Field Survey

The Table 4.8 revealed that the respondents in the age group of below 20 are ranked the objectives of savings in the order of importance from first to last as accumulation of fund, purchasing assets, house construction, tax savings, education of children, meeting contingencies,

provision for retirement life and marriage of children. The preference of respondents in the age group 20-40 are in the order from first to last respectively as house construction, accumulation of fund, education of children, marriage of children, purchase assets, meeting contingencies, tax savings and provision for retirement life. The ranking of the age group 40-60 are in the order of house construction, marriage of children, accumulation of fund, education for children, purchasing assets, meeting contingencies, tax savings and provision for retirement life. The remaining respondents of the age group, above 60 are concerned their order of importance of saving objectives from first to last are respectively meeting contingencies, to provide for retirement, accumulation of fund, education for children, purchasing assets, marriage of children, tax savings and house construction. From the Table it is clear that except for the age group 60 and above all other age group of respondents have given only sixth importance for meeting the contingencies. But for the age group of 60 and above their first objective of saving is meeting contingencies themself.

To test the null hypothesis that different age groups have the same order of preference to the various objectives, Friedman test on ranks was conducted and the result is found to be non significant at five per cent level of significant. This implies that the objectives of saving are almost same among all the respondents belonging to different age groups.

The data collected from the respondents is also cross- tabulated with their monthly income and presented in Table 4.9.

Table 4.9 Objectives of Saving of Investors - Investors'Income wise Analysis

Monthly Income (₹)	Mean and Rank	Objectives of Savings							
		Accumulation of Fund	House Construction	Purchasing Assets	Tax Savings	Education of Children	Marriage of Children	Meeting Contingencies	Provision for retirement life
Below 10,000	Mean	6.29	5.72	6.6	6.04	5.65	5.7	4.25	5.11
	Rank	2	4	1	3	6	5	8	7
10,000-20,000	Mean	6.957	6.417	6.099	6.038	5.087	4.885	4.109	4.057
	Rank	1	2	3	4	5	6	7	8
20,000-30,000	Mean	6.55	5.88	6.73	5.78	5.24	5	4.8	3.4
	Rank	2	3	1	4	5	6	7	8
30,000-40,000	Mean	5.684	5.37	7.156	5.344	5.403	5.193	5.864	3.952
	Rank	3	5	1	6	4	7	2	8
40,000-50,000	Mean	6.129	5.313	7.082	4.88	5.607	5.321	6.246	4.703
	Rank	3	6	1	7	4	5	2	8
50,000 And above	Mean	4.647	4.813	6.546	5.714	5	5.238	5.773	2.615
	Rank	7	6	1	3	5	4	2	8
$\chi^2 = 7.929^{ns}$; df =5; p=0.160									

ns- non significant at 0.05 levels; Source: Field Survey.

The analysis of the Table revealed that except for the income group ₹ 10,000-20,000 the first objective of savings is the purchase of assets. Likewise except for the income group below ₹ 10,000, the eighth objective of saving is providing for retirement life. The order of importance of objectives of savings for the income below ₹ 10,000 are in the following order: purchasing assets, accumulation of fund, tax savings , house construction, marriage of children, education of children, provision for retirement life and meeting contingencies. The ranks assigned by the income group ₹ 10, 000-20,000 are in the order accumulation of fund, house construction, purchasing assets, Tax savings, education of children, marriage of children, meeting contingencies and provision for retirement life. The monthly income ₹ 20,000-30,000 are

gave ranks one, two, three and so on are in the order of purchasing assets, accumulation of fund, house construction, tax savings, education for children, marriage of children, meeting contingencies and providing for retirement life. The ranks assigned by the income group ₹ 30,000-40,000 are in the order of purchasing assets, meeting contingencies, accumulation of fund, education of children, marriage of children, house construction, tax savings and providing for retirement life. The order of importance of saving objectives for the income group, ₹ 40,000-50000, are in the order, purchasing assets, meeting contingencies, accumulation of funds, education of children, house construction, tax savings, marriage of children, provision for retirement life. Ranks assigned by the income group above ₹ 50,000 are in the order, purchasing assets, meeting contingencies, accumulation of fund, education of children, house construction, tax savings, marriage of children and provision for retirement life. To test the null hypothesis that different income groups have the same order of preference to the various objectives, Friedman test on ranks was conducted and the result is found to be non significant at five per cent level of significant. This implies that the objectives of saving are almost same among all the respondents belonging to different income level.

It is clear from the above analysis, that, irrespective of gender, age and income all the mutual fund investors have almost same saving objectives.

4.3   Investment Avenues and Investment Decisions

4.3.1 Awareness on Investment Avenues

Investment refers to acquisition of some assets. It means use of funds for productive purposes, for securing some objectives like income, capital appreciation or for further production of goods and services with the objective of securing returns. The dynamics of economic growth of the

country provides various opportunities for investors to invest their money in different types of securities. All investments are subject to risk that means there is a possibility of incurring loss in future. The ultimate objective of the investor is to derive a variety of investment opportunities that meet his/her preference of risk and expected return. The investor will select the portfolio which will maximize his/her profitability or minimize loss. Securities present a wide range of risks, from risk free instruments to highly risk speculative shares and debentures. There are many alternative investments for investors viz. direct investment and indirect investment. The direct investment can be classified as fixed principal investments like cash, savings account, saving certificates, government bonds, and corporate bonds, variable principal investments like preference shares, equity shares and convertible debentures and non security investment like real estate, mortgages, commodities and business ventures. Indirect investments are pension funds, provident funds, insurance policies, unit trust and other trust funds. So investors should have awareness on all the avenues of investments to optimize return and minimize risk.

In the present study thirteen investment avenues which are commonly knowledgeable to the investors are considered. Reliability was tested using Cronbach's alpha and it was found to be 0.834 which is sufficient for conducting a study.

The respondents won a five point scale. If their awareness level was high for an investment avenue, they had to mark 5 as the rank of which is high and so on. The data collected are tabulated and weighted mean scores are calculated. Based on the mean score ranks were assigned, the result thus obtained are presented in Table 4.10

Table 4.10 Investors' Awareness on Investment Avenues

Saving Avenues	Mean	Std. Deviation	CV	Rank
Bank Deposits	4.63	0.62	13.35	1
Life Insurance	4.49	0.71	15.81	2
Chits	4.48	0.84	18.78	3
Mutual Funds	4.37	0.87	19.81	4
Gold and Stones	4.21	0.82	19.51	5
Shares	4.11	0.96	23.25	6
Postal Deposits	4.00	0.79	19.81	7
Real Estate	3.78	1.07	28.24	8
Bonds and Debentures	3.67	0.92	25.13	9
Pension and PF	3.47	0.91	26.22	10
Small Savings	3.27	1	30.72	11
Company Deposits	2.9	0.93	32.09	12
Arts Fund	1.72	0.98	57.23	13

Source: Field Survey.

From the above Table, it is clear that the awareness of mutual fund investors among various investment avenues varies. They are mostly aware about bank deposits, followed by life insurance, chits, mutual funds, gold and stones, shares, postal deposits, real estate, bonds and debentures, pension and PF, small savings of government, company deposits and arts fund. From this, it is clear that, the mutual fund investors' awareness on mutual funds is only in the fourth position.

4.3.2. Preference of Investment Avenues

After considering the awareness of mutual fund investors on various investment avenues, they were asked to rank at least eight of these avenues according to their order of preference as 1 for most preferred, 2 for next prefered and so on to know their preference in choosing investors on these saving avenues. Table 4.11 shows the preference of investors on various avenues of investments.

Table 4.11 Investors' Preference on Investment Avenues

Investment Avenues	Mean	Rank
Bank Deposit	12.224	1
Life Insurance	10.605	2
Mutual Funds	10.511	3
Chits	9.274	4
Shares	9.207	5
Postal Deposits	8.819	6
Gold and Precious Stone	8.139	7
Pension and PF	7.879	8
Real Estate	7.804	9
Bonds and Debentures	7.502	10
Company Deposits	7.012	11
Small Saving Scheme	6.959	12
Art Fund	4.092	13

Source: Field Survey.

From the analysis of the Table given above, it can be understand that the most preferred investment avenue of the mutual fund investor is bank deposits, followed by life insurance. Mutual Fund comes in the third position. The least preferred avenue is art fund which may be due to lack of awareness on this type of saving avenues.

To know whether there exists any significant difference in the preference on various saving avenues on gender, age and income analysis was conducted.

The data collected from mutual fund investors on their preference among various saving avenues were cross tabulated with gender and presented in Table 4.12

Table 4.12 Investors' Preference on Investment Avenues-Gender wise Analysis

Saving Avenues	Gender					
	Male			Female		
	Mean	Rank	N	Mean	Rank	N
Bank Deposit	12.291	1	736	11.919	1	161
Life Insurance	10.510	3	730	11.037	2	161
Shares	9.264	5	647	8.875	6	112
Pension and PF	7.739	9	299	8.395	8	81
Bonds and Debentures	7.597	10	236	7.215	9	79
Mutual Funds	10.678	2	727	9.731	3	156
Company Deposits	7.043	11	186	6.912	11	57
Postal Deposits	8.656	6	518	9.469	4	130
Chits	9.275	4	684	9.268	5	138
Small Saving Scheme	6.959	12	245	6.957	10	69
Gold and Precious Stone	7.980	8	643	8.837	7	147
Real Estate	7.994	7	467	6.735	12	83
Art Fund	4.453	13	106	2.500	13	24
$Z = 3.180**$; $p<0.001$						

*Figures in the parenthesis denote percentages; ** significant at 0.01 levels*
Source: Field Survey.

From the Table given above it can be noted that the first preference for saving avenue for both the males and females are the same, bank deposits. The order of preference of saving avenues for male are mutual funds, life insurance, chits, shares, postal deposits, real estate, gold and precious stones, pension and PF, bonds and debentures, company deposits, small saving scheme and art fund respectively. The order of preference of saving avenues for female are life insurance, mutual funds, postal deposits, chits, shares, gold and precious stones, pension and PF, small saving schemes of the government, company deposits, real estate and arts fund respectively. From this it is clear that the preference for real estate funds for both male and female are in the same order. This may be because both of them are lacking awareness on this saving avenue. From the

analysis it can be understood that except for the first, eleven and thirteenth choice the order of preference varies according to the gender. Wilcoxon Signed Rank Test was conducted to test the differences in the preferences among male and female respondents. It was found to be significant. This indicates that there exists significant difference in the preferences of male and female respondents on various investment avenues.

The response of mutual fund investors on the preference of various saving avenues also cross- tabulated with their age and the result obtained is exhibited in Table 4.13.

Table 4.13   Investors' Preference on Investment Avenues - Age- wise Analysis

Investment Avenues	Age							
	Below 20		20-40		40-60		60andabove	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Bank Deposit	12	1	12.122	1	12.383	1	12.278	1
Life Insurance	11.5	2	10.682	2	10.547	3	9.111	3
Shares	6	10	9.236	5	9.207	5	8.111	7
Pension and PF	9	5	7.82	8	8.000	8	7.545	10
Bonds and Debentures	6.5	9	7.628	9	7.278	10	8.25	6
Mutual Funds	9	5	10.519	3	10.615	2	8.722	4
Company Deposits	8	8	6.98	11	7.105	11	6.2	11
Postal Deposits	9.167	4	8.841	6	8.671	6	10.111	2
Chits	10.833	3	9.256	4	9.304	4	8.722	4
Small Saving Scheme	8.8	6	6.827	12	6.967	12	7.923	8
Gold and Precious Stone	8.5	7	8.229	7	7.963	9	8.588	5
Real Estate			7.585	10	8.13	7	7.889	9
Art Fund			3.89	13	4.705	13	1.5	12
χ^2 =8.145**; df =3; p<0.05								

*Figures in the parenthesis denote percentages;** significant at 0.01 levels;*
Source: Field Survey

From Table 4.13, it can be noted that, irrespective of the age groups, all investors' most preferred saving avenue is bank deposits. The order of preference of below 20 age group was life insurance, chits, postal deposits, mutual funds, small saving schemes, gold and precious stones, company deposits, bonds and debentures and shares. For the respondents in the age group 20-40, the order of preference was life insurance, mutual funds, chits, shares, postal deposits, gold and precious stones, pension and PF, bonds and debentures, real estate, company deposits, small saving schemes and arts fund respectively. For the age group 40-60, the saving avenue preference is in the order, mutual funds, life insurance, chits, shares, postal deposits, gold and precious stones, bonds and debentures, company deposits, small savings schemes and arts funds respectively. Postal deposits, life insurance, mutual funds and chits (each got fourth rank), gold and precious stones, bonds and debentures, shares, small saving scheme, real estate, pension and PF, company deposits and arts fund are the order of preference of the age group of 60 and above. From the Table it is clear that the preference of saving avenues differ according to the various age groups. Difference in the preferences among different age groups was tested by using Friedman test and the significant Chi square reveals that age has influence on the preferences of the respondents on various avenues of investments.

The data collected from mutual fund investors on their preference on various investment avenues were cross tabulated with their income and presented in Table 4.14.

Table 4.14 Investors' Preference on Investment Avenues - Income- wise Analysis

Saving Avenues	Monthly Income (₹)											
	Below 10,000		10,000 - 20,000		20,000 - 30,000		30,000 - 40,000		40,000 - 50,000		50,000 and above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Bank Deposit	12.22	1	12.598	1	12.154	1	11.587	1	10.967	2	11.545	1
Life Insurance	11.31	2	10.586	3	10.288	3	10.702	2	11.115	1	10.409	2
Shares	8.08	7	9.306	5	9.443	4	8.933	6	8.339	10	10.13	3
Pension and PF	7.64	8	7.728	8	7.761	10	8.558	7	8.833	5	7.308	9
Bonds and Debentures	6.89	11	7.232	10	7.808	9	7.563	11	8.615	7	7	10
Mutual Funds	9.26	5	10.982	2	10.543	2	9.65	4	9.667	4	9.609	5
Company Deposits	5.63	12	7.019	12	6.656	11	7.714	10	7.862	11	5.909	11
Postal Deposits	9.33	4	8.506	6	8.646	6	9.658	3	10	3	8.235	6
Chits	10.14	3	9.425	4	9.032	5	8.988	5	8.811	6	7.875	8
Small Saving Scheme	7.5	9	7.152	11	6.607	12	6.45	12	6.75	12	4.9	12
Gold and Precious Stone	8.32	6	7.793	7	8.425	7	8.505	8	8.347	9	9.727	4
Real Estate	6.94	10	7.44	9	8.321	8	7.789	9	8.42	8	8.053	7
Art Fund	2	13	4.552	13	4.304	13	3.571	13	4.667	13	2.6	13

$\chi^2 = 11.352$**; df =5; p<0.01

** Significant at 0.01 per cent level; Source: Field Survey

From the Table 4.14 it is clear that except in the case of the monthly income group ₹ 40,000 - 50,000; all other income groups' first choice is bank deposits and the art fund was the least preferred saving avenue for all investors (rank 13). The order of preference on various saving avenues of the respondents in the monthly income groups of below ₹ 10,000 are life insurance, chits, postal deposits, mutual funds, gold and precious stones, shares, pension and PF, small saving scheme, real estate, bonds and debentures, company deposits and art fund. For those respondents in the income group ₹ 10,000-20,000, the order of preference for the saving avenues are mutual funds, life insurance, chits, shares, postal deposits, gold and precious stones, pension and PF, real estate, bonds and debentures, small saving schemes, company deposits and art fund. In case of the respondents in the monthly income of ₹ 20,000-30,000, the order of preference is mutual funds, life insurance, shares, chits, postal deposits, gold and precious stones, real estate, bonds and debentures, pension and PF, company deposits, small saving scheme and art fund. For those respondents in the income group ₹ 30,000 - 40,000, the order of preference is life insurance, postal deposits, mutual funds, chits, shares, pension and PF, gold and precious stones, real estate, company deposits, bonds and debentures, small saving scheme and art fund. The order of preference of the respondents in the monthly income groups of ₹ 40,000-50,000 is life insurance, bank deposits, postal deposits, mutual funds, pension and PF, real estate, gold and precious stones, shares, company deposits, small savings and art fund. In case of the respondents in the monthly income of ₹ 50,000 and above the order of preference are life insurance, shares, gold and precious stones, mutual funds, postal deposits, chits, pension and PF, bonds and debentures, company deposits, small savings and art fund. From this, it can be said that bank deposits, life insurance, chits, gold and precious stones, postal deposits, mutual funds and shares are almost highly preferred avenues among the mutual fund investors. Difference in the preferences among different income groups were also tested by using

Friedman test and the significant Chi square reveals that the income level has influence on their preferences of various avenues of investments.

The data (Tables 4.12 to 4.14) analysed with the help of Wilcoxon signed rank test at one per cent level of significance and Friedman test at one per cent level of significance to test the association of selected demographic variables of investors and their preference on various investment avenues, supported and proved the first hypothesis stated:

H1. *There exists significant association between selected demographic variables of investors such as gender, age and income and their preferences for various avenues of investments.*

4.3.3. Source of Influence on Investment Decisions

Investing is complex, and everyone would get independent and appropriate advice once in a while. It is important to make sure that, he/she is not missing something important that professional investors might know. Money exerts very powerful psychological influence on investors, so it is often smart to ask the opinion of someone who is not emotionally involved with his/her portfolio. By reading published financial and investing information, one can make his/her own investment decision or he/she can avail advice from his/her family members, financial consultants or from his/her friends. But all the time he/she should make sure that they are not emotionally involved with his/her portfolio. So it seems important to analyse the influence of others on investment decision of mutual fund investors.

The data collected from the mutual fund investors about the influence of others on investment decisions is presented in the Table 4.15.

Table 4.15 Source of Influence on Investment Decisions

Source of Influence	Frequency	Percent
Own Decision	118	13.1
Family members	139	15.4
Financial Consultants	529	58.8
Friends and relatives	114	12.7
Total	**900**	**100**

Source: Field survey.

From the analysis of the data, it can be noted that out of 900 mutual fund investors, 13.1 per cent do not have any influence of others on investment decision; they take their own decision. But 15.4 percent are taking assistance from family members, 58.8 percent are taking assistance from financial consultants and 12.7 per cent from friends and relatives.

The data collected to analyse the source of influence on investment decisions on investment decision is also cross –tabulated with the gender of the respondents. The data, thus, is presented in Table 4.16.

Table 4.16   Source of Influence on Investment Decisions- Investors' Gender wise Analysis

Gender	Source of Influence on investment decision				Total
	Own Decision	Family Members	Financial Consultants	Friends	
Male	96	69	468	106	739
	(13.00)	(9.30)	(63.30)	(14.30)	(100.00)
Female	22	70	61	8	161
	(13.70)	(43.50)	(37.90)	(5.00)	(100.00)
Total	**118**	**139**	**529**	**114**	**900**
	(13.10)	**(15.40)**	**(58.80)**	**(12.70)**	**(100.00)**
χ^2 = 123.549**; df =3; p<0.001					

*Figures in the parenthesis denote percentages;** significant at 0.01 levels,*
Source: Field Survey

From the Table it is clear that, out of 739 males, 13 per cent are taking their own decision, 9.3 per cent are influenced by family members, 63.3 per cent are influenced by financial consultants and 14.3 per cent are

influenced by friends and relatives while taking investment decisions. But the influence of others for taking financial decision for the females are 13.7 per cent are take own decisions, 43.50 per cent are influenced by family members,37.90 per cent are influenced by financial consultants and 5 per cent are influenced by friends . From this, it is clear that while the majority of the male respondents (63.3 per cent) are influenced by financial consultants, majority of females (43.50 per cent) are influenced by family members for investment decision. This type of difference on influence of others on investment decision is tested for dependency using Chi square test and the result shows that there exists well established dependency between the influence of others on investment decision and the gender as the test is found to be significant with p<0.001.

The data collected to analyse the Source of influence on investment decisions according to the age of respondents is tabulated and presented in Table 4.17.

Table 4.17   Source of Influence on Investment Decisions – Investors' Age wise Analysis

Age	Source of Influence on Investment Decisions				Total
	Own Decision	Family Members	Financial Consultants	Friends	
Below 20	0	4	1	1	6
	(0.00)	(66.70)	(16.70)	(16.70)	(100.00)
20-40	74	84	299	76	533
	(13.90)	(15.80)	(56.10)	(14.30)	(100.00)
40-60	35	50	223	35	343
	(10.20)	(14.60)	(65.00)	(10.20)	(100.00)
60and above	9	1	6	2	18
	(50.00)	(5.60)	(33.30)	(11.10)	(100.00)
Total	**118**	**139**	**529**	**114**	**900**
	(13.10)	**(15.40)**	**(58.80)**	**(12.70)**	**(100.00)**
χ^2 = 42.989**; df =9; p<0.001					

*Figures in the parenthesis denote percentages; ** significant at 0.01 levels*
Source: Field Survey.

From the Table 4.17 it is clear that 66.7 per cent of the respondents in the age group below 20 are influenced by family members, 16.7 per cent each are influenced by financial consultant and friends while taking investment decision. Among the respondents in the age group of 20-40,13.9 per cent are taking own investment decision, 15.8 per cent are influenced by family members, 56.1 per cent are influenced by financial consultants and 14.3 per cent are influenced by friends while taking financial decisions. Those 10.2 per cent in the age group of 40-60 take their own decision, 14.60 per cent are influenced by family members, 65 per cent are influenced by financial consultants and 10.20 per cent are influenced by friends while taking financial decisions. The 50 per cent of the age group above 60 are taking, 5.6 per cent are influenced by family members, 33.3 per cent are influenced by financial consultants and 11.1 per cent are influenced by friends while taking investment decisions. Except in case of the respondents in the age groups below 20 and 60 and above, all others are highly influenced by financial consultants while taking investment decisions. From the Table we can understand that the respondents in the below 20 group are influenced by family members while taking investment decision may be because of their young age and the older people may be well experienced for taking own decisions while taking investment decisions. This type of difference in influence of others on investment decision has been tested for dependency using Chi square and from the result it can be concluded that there exists a well-established dependency between influence of others on investment decision and the age group as the test is found to be significant with $p < 0.001$.

The data collected to analyse the source of influence on investment decisions according to the monthly income of respondents is tabulated and presented in Table 4.18.

Table 4.18   Source of Influence on Investment Decisions – Investors'
Income wise Analysis

Monthly Income(₹)	Source of Influence on Investment Decision				Total
	Own Decision	Family members	Financial Consultants	Friends	
Below 10,000	10	14	16	9	49
	(20.40)	(28.60)	(32.70)	(18.40)	(100.00)
10,000-20,000	43	41	323	54	461
	(9.30)	(8.90)	(70.10)	(11.70)	(100.00)
20,000-30,000	24	24	121	33	202
	(11.90)	(11.90)	(59.90)	(16.30)	(100.00)
30,000-40,000	19	36	41	8	104
	(18.30)	(34.60)	(39.40)	(7.70)	(100.00)
40,000-50,000	15	20	18	8	61
	(24.60)	(32.80)	(29.50)	(13.10)	(100.00)
50,000 and above	7	4	10	2	23
	(30.40)	(17.40)	(43.50)	(8.70)	(100.00)
Total	**118**	**139**	**529**	**114**	**900**
	(13.10)	**(15.40)**	**(58.80)**	**(12.70)**	**(100.00)**
χ^2 = 115.606**; df =15; p<0.001					

*Figures in the parenthesis denote percentages; ** significant at 0.01 levels*
Source: Field Survey.

From the Table 4.18, it is clear that out of 49 respondents in the monthly income group of below ₹10,000, 20.4 per cent are taking own decision, 28.6 per cent are influenced by family members, 32.7 per cent are influenced by financial consultant and 18.4 per cent are influenced by friends while taking investment decision. The respondents in the monthly income of ₹10000-20000 are influenced from own decision, family members, financial consultants and friends are 9.3 per cent, 8.9 per cent, 70.1per cent and 11.7 per cent respectively. Among the respondents in the monthly income of ₹ 20000-30000 18.3 per cent are taking own decision, 34.6 are influenced by family members, 39.4 per cent are influenced by financial consultants and 7.7 per cent are influenced by friends while taking investment decision. The 24.6 per cent of the respondents of the monthly income group of ₹ 40000-50000 are taking own decisions,

32.8 percent are influenced by family members ,29.5 per cent are influenced by financial consultants and 13.1 per cent are influenced by friends while taking investment decision. Out of 23 respondents of the monthly income of above ₹ 50000, 30.4 per cent are taking own decision, 17.4 per cent are influenced by family members 43.5 per cent are influenced by financial consultants and 8.7 percent are influenced by friends while taking investment decisions. From the Table it is also clear that except in the case of the income group of ₹ 40,000-50,000, all others are mainly influenced by financial consultants while investment decisions were made. This type of difference in influence of others on investment decision is tested for dependency using Chi square and from the result it can be concluded that there exist well established dependency between the investment assistance and the monthly income as the test is found to be significant with p<0.001.

From the gender wise analysis, it is clear that while majority of the male respondents (63.3 per cent) are influenced by financial consultants, majority of females (43.50 per cent) are influenced by family members for investment decision. The age wise analysis of the data reveals that except in the case of the respondents in the age groups below 20 and 60 and above, all others are highly influenced by financial consultants while taking investment decisions. The respondents in the below 20 group are influenced by family members while taking investment decision may be because of their youth age and the older people may be well experienced for taking own decisions while taking investment decisions. From the income wise analysis, it is also clear that except in case of the income group of ₹ 40,000-50,000, all others are mainly influenced by financial consultants during investment decisions were made. From this, it can be concluded that the majority of mutual fund investors are prudent investors therefore they take assistance from financial consultants.

4.4. Risk Tolerance of Investors

Risk tolerance means the degree of uncertainty that an investor can handle with regard to a negative change in the value of his or her portfolio. An investor risk tolerance varies according to age, income level, financial goals etc. John. E.Grable (1997) in his study classified the risk tolerance level of individual investors into three categories namely low, medium and high. In the same way risk tolerance level of the mutual fund investors is classified for the present study. While collecting the data, the respondents were asked to mark the category in which they believed to suit with their tolerance level. While tabulating the data it is seen that out of the 900 respondents 478(53.1per cent) stated that they are coming under the category of high risk tolerance, 388 (43.1 per cent) stated that they have moderate risk tolerance level and the rest 34 (3.8 per cent) are stated that they are only having low risk tolerance level.

From this, it can be concluded that the majority of the mutual fund investors have high risk tolerance. Usually, people with high risk tolerance prefer financial investments like shares and mutual funds. The risk tolerance level is again analyzed by gender, age and income of the respondents to identify the influence of these variables on the risk tolerance level.

From the earlier studies, it is clear that gender has a significant influence on risk tolerance. Specifically, those men are more tolerant of risk than women (Slovic, 1966). Research studies has supported this view, that men take more risks than women (Hallahan, Faff and McKenzie, 2004 a and b; Grable, 2000; Grable and Lytton, 1998; Powell and Ansic, 1997; Bajtelsmit and Bernasek, 1996; and Sung and Hanna, 1996). In this context, the present study has also made an attempt to analyse the risk tolerance of mutual fund investors according to their gender. The data collected for the purpose is tabulated and presented in Table 4.19.

Table 4.19 Risk Tolerance - Investors' Gender wise Analysis

Gender	Risk Tolerance			Total
	High	**Moderate**	**Low**	
Male	415	304	20	739
	(56.20)	(41.10)	(2.70)	(100.00)
Female	63	84	14	161
	(39.10)	(52.20)	(8.70)	100.00
Total	**478**	**388**	**34**	**900**
	(53.10)	**(43.10)**	**(3.80)**	**(100.00)**
$\chi^2 = 23.504^{**}$; df =2; p<0.001				

*Figures in the parenthesis denote percentages; ** significant at 0.01 levels*
Source: Field Survey.

The analysis of the data in the above Table reveals that out of 739 male respondents, 56.2 per cent have higher risk tolerance level, 41.1 per cent have moderate risk tolerance level and 2.7 per cent have low risk tolerance level. With regard to the female respondents, out of 161, 39.10 per cent have higher risk tolerance, 52.2 per cent have moderate risk tolerance and 8.7 per cent have low risk tolerance levels. From this, it can be concluded that male respondents have more risk tolerance than female respondents. Besides that, majority of female respondents have moderate risk tolerance level. This type of difference in risk tolerance is tested for dependency using chi square at one per cent level of significance and the result reveals that that there exist well established dependency between the risk tolerance and the gender.

Most financial advisors and researchers would hypothesize that age and risk tolerance is negatively related. Indeed, several studies make this conclusion (Hallahan, Faff and McKenzie, 2004; Palsson, 1996; Bakshi and Chen, 1994; Morin and Suarez, 1983; and McInish, 1982). Using what can be considered a proxy for age, Sung and Hanna (1996), found that risk tolerance was higher for those individuals with 30 or more years from retirement than those individuals close to their expected retirement date. So to study this relation, the data collected from the mutual fund investors about

their risk tolerance was also cross tabulated based on their age and presented in the Table 4.20.

Table 4.20 Risk Tolerance - Investors' Age wise analysis

Age	Risk Tolerance			Total
	High	**Moderate**	**low**	
Below 20	3	2	1	6
	(50.00)	(33.30)	(16.70)	(100.00)
20-40	286	226	21	533
	(53.70)	(42.40)	(3.90)	(100.00)
40-60	188	148	7	343
	(54.80)	(43.10)	(2.00)	(100.00)
60and above	1	12	5	18
	(5.60)	(66.70)	(27.80)	(100.00)
Total	**478**	**388**	**34**	**900**
	(53.10)	**(43.10)**	**(3.80)**	**(100.00)**
$\chi^2 = 43.264^{**}$; df =6; p<0.001				

*Figures in the parenthesis denote percentages; ** significant at 0.01 levels*
Source: Field Survey.

From the analysis of the data presented in the Table 4.20, it is seen that, 50 per cent of the respondents in the age group below 20 have high risk tolerance, 33.3 per cent have moderate risk tolerance and 16.7 per cent have low risk tolerance. The respondents in the age group 20-40, have risk tolerance from high to low are 53.7 per cent, 42.4 per cent and 3.9 per cent respectively. Among the 343 respondents in the age group 40-60 54.8 per cent have high risk tolerance, 43.1 per cent have moderate risk tolerance and 2 per cent have low risk tolerance. Among the respondents in the age group of 60 and above, 5.6 per cent have high risk tolerance, 66.7 per cent have moderate risk tolerance and 27.8 per cent have low risk tolerance. From this, it is clear that except the age group of 60 and above all other age groups have high risk tolerance and among them, the middle age groups (40-60) have high risk tolerance (54.8 per cent). Older people (age group of 60 and above) usually take less risk. This type of difference in risk tolerance is tested for dependency using chi square test at one per cent level of significance and the result shows that there exist well established dependency between the risk tolerance and

the age as the test is found to be significant with p<0.001. i.e. risk tolerance and age is negatively related.

Usually, income and wealth are believed to have a positive relationship to individual risk tolerance. Many researchers have found this positive relationship to be significant (Hallahan, Faff and McKenzie, 2004; Bernheim, Skinner and Weinberg, 2001; Grable, 2000; Grable and Lytton, 1998; Schooley and Warden, 1996; Shaw, 1996; and Riley and Chow, 1992). Roszkowski (1998) made note that a higher income or wealth level provides an individual greater capacity to incur risk. Hence, here the response of the mutual fund investors on their risk tolerance is also cross tabulated with their income and presented in Table 4.21.

Table 4.21 Risk Tolerance - Investors' Income wise Analysis

Monthly Income(Rs)	Risk Tolerance			Total
	High	**Moderate**	**Low**	
Below 10,000	13	27	9	49
	(26.50)	(55.10)	(18.40)	(100.00)
10,000-20,000	235	212	14	461
	(51.00)	(46.00)	(3.00)	(100.00)
20,000-30,000	104	91	7	202
	(51.50)	(45.00)	(3.50)	(100.00)
30,000-40,000	71	30	3	104
	(68.30)	(28.80)	(2.90)	(100.00)
40,000-50,000	43	17	1	61
	(70.50)	(27.90)	(1.60)	(100.00)
50,000and above	12	11	0	23
	(52.20)	(47.80)	0.00	(100.00)
Total	**478**	**388**	**34**	**900**
	(53.10)	**(43.10)**	**(3.80)**	**(100.00)**
χ^2 = 56.154**; df =10; p<0.001				

*Figures in the parenthesis denote percentages; ** significant at 0.01 levels*
Source: Field Survey.

From the analysis of the data presented in the Table 4.21 it is clear that, out of 49 respondents in the monthly income below ₹ 10000, 26.5 per cent have high risk tolerance, 55.1 per cent have moderate risk tolerance and 18.4 per cent have low risk tolerance. The risk tolerance of the respondents in the monthly income group of ₹ 10000-20000 are 51 per cent have high risk tolerance level, 46 per cent have medium risk tolerence and 3 per cent have low risk tolerence respectively. Among the respondents in the monthly income group of ₹ 20000-30000, 51.5 per cent have high risk tolerance, 45 per cent have moderate risk tolerance and 3.5 per cent have low risk tolerance. Out of the 104 respondents in the income group of ₹ 30000-40000, 68.3 per cent have high risk tolerance, 28.8 per cent have moderate risk tolerance and 2.9 percent have low risk tolerance. In the income group of ₹ 40000-50000, 70.5 per cent of the respondents have high risk tolerance, 27.9 percent have moderate risk tolerance and 1.6 percent has low risk tolerance. The risk tolerance of the respondents in the monthly income of above ₹ 50000, are 52.2 per cent have high risk tolerance, and 47.8 per cent moderate risk tolerance. From this, it can be realized that except in the case of the respondents in the income group below ₹ 10, 000, all others have high risk tolerance. No respondents in the income group of ₹ 50,000 and above have low risk tolerance; this may be because higher income groups have the capacity to take higher levels risk tolerance. To test the dependency of the dependency on risk tolerance on the income levels reveals that there exists a well established dependency between the risk tolerance and income as the test is found to be significant with p<0.001.

From the analysis on the risk tolerance level of mutual fund investors, it is clear that out of the 900 mutual fund investors, the majority (53.1 per cent) has high risk tolerance level. The gender wise cross tabulation reveals that male respondents have more risk tolerance than

female respondents. Besides that, the majority of female respondents have moderate risk tolerance level. The age wise analysis reveals that except the age group of 60 and above all other age groups have high risk tolerance and among them, the middle age groups (40-60) have high risk tolerance (54.8 per cent). Older people (age group of 60 and above) usually take less risk. The income wise analysis shows that except in the case of the respondents in the income group below ₹10, 000, all others have high risk tolerance. No respondent in the income group of ₹ 50,000 and above have low risk tolerance; this may be because higher income groups have the capacity to take higher levels risk tolerance. So risk tolerance of investors and their selected demographic variables are significantly related.

4.5. Risk Perception of Investors

Risk perception is the belief (whether rational or irrational) held by an individual, group, or society about the chance of occurrence of a risk or about the extent, magnitude, and timing of its effect(s). Understanding risk perception is a critical success factor that promotes effective decision-making in risky situations. Complicating the analysis of financial risk is the fact that each investor has his or her own tolerance of and perception towards risk.

The investors are provided with nine statements relating to risk measuring their perception towards risk. These statements include various aspects of risk like unpredictability of returns (my approach is to be cautious and avoid all risky investment, an investment that involves a great deal of risk isn't really investments, it's gambling, the more money one has, the more investment risk one can take), dependence on professional investment advice (my broker decides the best investment level for me), knowledge about the financial assets (the more familiar an investment, the less risky it is), chance for incurring loss (a diversified portfolio reduces risk, the older people take lesser investment risk, the need to liquidate quickly prohibits me

from considering riskier products and the higher an investments' yield or rate of return, the greater is its associated risk).

For understanding the investors risk perception, they were asked to rate the statements according to their opinion. The response of the investors were analysed and presented in Table 4.22.

Table 4.22 Risk Perception of Investors

Risk Perception	Mean	Std. Deviation	CV	Rank
A diversified portfolio reduces risk	4.48	0.73	16.36	1
The higher an investments' yield or rate of return, the greater is its associated risk	4.08	0.97	23.84	2
The more familiar an investment, the less risky it is	3.98	0.98	24.67	3
My approach is to be cautious and avoid all risky investment	3.93	1.02	25.95	4
The need to liquidate quickly prohibits me from considering riskier products	3.88	0.92	23.83	5
The more money one has, the more investment risk one can take	3.82	0.9	23.46	6
My broker decides the best investment level for me	3.58	1.22	34.04	7
An investment that involves a great deal of risk isn't really investments, it's gambling	3.36	0.98	29.22	8
The older people take lesser investment risk	3.23	1.26	39.16	9

Source: Field Survey

From the Table 4.22, it is clear that a diversified portfolio reduces risk is ranked first (Mean Value 4.48) followed by the higher an investments' yield or rate of return, the greater is its associated risk (Mean Value 4.08).

4.5.1. Influence of Risk Perception of Investors on Investment Decisions in Mutual Funds

Investment decisions of mutual fund investors are very much influenced by their risk perception. In 1993, Investment Company Institute carried out a study titled 'piecing together shareholder perception of investment risk.' A major objective of the study was to understand shareholders attitudes about risk. To this end, shareholders were asked to indicate their level of agreement with a number of risk related statements. In the same way, for the present study also, nine risk related statements were asked to the investors in order to know the influence of their risk perception on investment decisions in mutual funds. Reliability was measured and the Cronbach's Alpha was found to be 0.734, which was above the accepTable minimum of 0.70. The investors' were asked to rate these statements according to their perception on a five point Likert scale. A score of 1, 2, 3, 4 and 5 was given to each statement for the responses strongly disagree, disagree, no opinion, agree and strongly agree, respectively. Then a total score for risk perception was obtained by adding the scores of all the statements related to risk perception. Then this score was compared with the respondents' mutual fund investment decisions to study the level of its influence on their investment decisions. The test of significance was achieved with the help of simple regression analysis and the results thus obtained are presented in Table 4.23.

Table 4.23 Risk Perception of Investors and Investment Decisions in Mutual Funds– Regression Analysis

Independent Variable	Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Risk Perception of Investors	.093	.001	.978	141.915[**]	.000
Adjusted R^2 = 0.957					

*** Significant at 0.01 levels.*

From the regression analysis (Table 4.23), it is clear that investment decisions of investors is very much influenced by their risk perception of investors as the result is significant at one per cent level. The Standardised regression coefficient for risk perception is 0.978 and adjusted R^2 is 0.957. Hence, the result supported and proved the second hypothesis formulated as:

H2. ***There exists a positive relationship between risk perception of investors and investment decisions.***

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Chapter 5

CHARACTERISTICS OF MUTUAL FUNDS AND INVESTMENT SPECIFIC ATTITUDES OF INVESTORS ON INVESTMENT DECISIONS

In this chapter, various aspects of mutual fund investment decisions were discussed.

5.1. Investments in Mutual Funds

There are various avenues of investments available for investors to allocate their savings. From the analysis of the risk perception of investors, it is clear that investors are highly financial conservative. Therefore they prefer efficient portfolio which will give maximum return with minimum risk. As mutual funds ensure a reasonable level of return, it is essential to know how much they invest in mutual funds. The percentage of investment in mutual funds to the total investments was grouped into four categories namely, less than 25 per cent, 25-50 per cent, 50-75 per cent and 75-100 per cent. To understand the percentage of investments in mutual funds by the investors, they were asked to mention their investments in mutual funds. The Table 5.1 shows the amount of investments in mutual funds by the respondents under study.

Table 5.1 Amount of Investments in Mutual Funds

Investments in MFs (Percentage to Total Amount of Investments)	Frequency	Percent
Less than 25%	166	18.4
25%-50%	135	15.0
50%-75%	133	14.8
75%-100%	466	51.8
Total	900	100

Source: Field Survey.

From Table 5.1, it is clear that, out of the 900 investors, 18.4 per cent respondents are investing less than 25 per cent, 15 per cent of the respondents are investing 25-50 per cent, 14.8 per cent are investing in between 50-75 per cent and 51.8 per cent is investing in between 75-100 per cent of their total financial investments in mutual funds. So,

majority of the respondents 734 (81.56 per cent) are investing more than 25 per cent of their total investments in mutual funds.

To know whether the investment behaviour is similar within the different age, income and gender category, test were conducted.

Table 5.2 exhibit the gender wise cross- tabulated analysis of data collected from the respondents.

Table 5.2 Amount of Investments in Mutual Funds – Investors' Gender wise Analysis

Gender	Investments in MFs				Total
	Less than 25%	**25%-50%**	**50%-75%**	**75%-100%**	
Male	126	93	93	427	739
	(17.1)	(12.6)	(12.6)	(57.8)	(100.00)
Female	40	42	40	39	161
	(24.8)	(26.1)	(24.8)	(24.2)	(100.00)
Total	166	135	133	466	900
	(18.4)	(15.0)	(14.8)	(51.8)	(100.00)
$\chi^2 = 62.620$** df = 3; P < 0.001					

*Figures in brackets denote per cent, ** Significant at 0.01 levels,*
Source: Field Survey.

From Table 5.2, it is clear that, out of 739 males, 17.1 per cent are investing only less than 25 per cent of their total investments in mutual funds, 12.6 percent of the males are investing 25-50 per cent of their earning, about 12.6 per cent are investing 50-75per cent of their earning and the remaining 57.8 percent are investing 75-100 per cent of their investments in MFs. From this, it is clear that about 82.95 per cent (613) of male are investing more than 25 per cent of their investments in mutual funds.   In case of females, about 24.8 per cent are investing less than 26.1 per cent in mutual funds, 24.8 per cent are investing 25-50 per cent in mutual funds and 24.2 per cent are investing 50-75 per cent in mutual funds. From this, it is clear that 75.15 per cent (121) of females are investing more than 25 per cent of their investments in mutual funds.

To test whether there exists any significant difference between gender and amount of investments in mutual funds, Pearson chi-square test was conducted. The test revealed that there exists significant difference between gender and amount of investments in mutual funds.

The data collected from the mutual fund investors were also cross-tabulated with their age and are presented in the Table 5.3.

Table 5.3 Amount of Investments in Mutual Funds – Investors' Age wise Analysis

Age	Investments in MFs(Percentage to total investments)				Total
	less than 25%	25%-50%	50%-75%	75%-100%	
Below 20	1	1	2	2	6
	(16.7)	(16.7)	(33.3)	(33.3)	(100.00)
20-40	105	78	90	260	533
	(17.2)	(14.6)	(16.9)	(48.8)	(100.00)
40-60	59	52	30	202	343
	(17.2)	(15.2)	(8.70)	(58.9)	(100.00)
60andabove	1	4	11	2	18
	(5.6)	(22.2)	(61.1)	(11.1)	(100.00)
Total	166	135	133	466	900
	(18.4)	(15.0)	(14.8)	(51.8)	(100.00)
$\chi^2 = 51.079^{**}$ df = 9; P = 0.001					

*Figures in brackets denote per cent, ** Significant at 0.01 levels,*
Source: Field Survey.

From the Table 5.3, it is clear that, among the investors in the age group below 20, 16.7 per cent each are investing less than 25per cent and between 25- 50 per cent and 33.3 per cent each are investing 50 to 75 per cent and more than 75 per cent of their investment in mutual funds. In the age group of 20-40 about 17.2 per cent are investing less than 25 percent in mutual funds, 14.6 per cent are investing 25-50 per cent in mutual funds, 16.9 per cent are investing 50-75 per cent, 48.8 per cent are investing 75-100per cent of their investments in mutual funds. In the age group of 40-60, 17.2 per cent are investing less than 25 per cent followed by 15.2 per cent are investing 25-50 per cent, 8.7 per cent are   investing

50-75 per cent and 58.9 per cent are investing 75-100 per cent of their total investments in mutual funds. Among the respondents in the age group of 60 and above 5.6 per cent are investing only less than 25 per cent in mutual funds and 22.2 per cent are investing 25-50 per cent, 61.1 per cent are investing 50 – 75 per cent and remaining 11.1 per cent are investing more than 75 per cent of their total investments in mutual funds. From this it can be concluded that the investment shows an increasing trend as the age increases till the retirement or the age of 60 and thereafter it shows decreasing trend.

This type of difference in amount of investments in mutual funds is tested for dependency using Chi square and from the result it can be concluded that there exist well established dependency between amount of investments in mutual funds and the age group as the test is found to be significant with p<0.001.

The response of the investors were again cross tabulated with their income and presented in Table 5.4.

Table 5.4 Amount of Investments in Mutual Funds – Investors' Income wise Analysis

Monthly Income	MF Investment				Total
	less than 25%	25%-50%	50%-75%	75%-100%	
Below 10,000	2	14	22	11	49
	(4.1)	(28.6)	(44.9)	(22.4)	(100.00)
10,000-20,000	47	43	73	298	461
	(10.2)	(9.3)	(15.8)	(64.6)	(100.00)
20,000-30,000	40	31	22	109	202
	(19.8)	(15.3)	(10.9)	(54.0)	(100.00)
30,000-40,000	48	21	11	24	104
	(46.2)	(20.2)	(10.6)	(23.1)	(100.00)
40,000-50,000	24	22	4	11	61
	(39.3)	(36.1)	(6.6)	(18.0)	(100.00)
50,000and above	5	4	1	13	23
	(21.7)	(17.4)	(4.3)	(56.5)	(100.00)
Total	166	135	133	466	900
	(18.4)	(15.0)	(14.8)	(51.8)	(100.00)
$\chi^2 = 100.710^{**}$ df = 15; P < 0.001					

*Figures in brackets denotes per cent, ** Significant at 0.01 levels;*
Source: Field Survey.

From Table 5.4, it is clear that, among the investors in the monthly income below 10,000, 4.1 per cent are investing less than 25 per cent, 28.6 per cent are investing 25 - 50 per cent and 44.6 per cent are investing 50 - 75 per cent, remaining 22.4 per cent are investing more than 75 per cent of their investments in mutual funds. In the monthly income group of 10,000-20,000, 10.2 per cent are investing less than 25 per cent and 9.3 per cent are investing 25-50 per cent, and 15.8 per cent are investing 50-75 per cent and remaining 64.6 per cent are investing more than 75 per cent their investments in mutual funds. In the monthly income of 20,000-30,000, 19.8 per cent are investing are investing less than 25 per cent, 15.3 per cent are investing 25-50 per cent 10.9 per cent are investing 50-75 per cent, and 54 per cent are investing 75-100 percent of their total investments in mutual funds. In the monthly income group 30,000-40,000, 46.2 per cent are investing less than 25 per cent, 20.2 per cent are investing 25 – 50 per cent, 10.6 per cent are investing 50- 75 per cent and remaining 23.1 per cent of the investors are investing 75-100 per cent of their investment in mutual funds. In monthly income of 40,000-50,000, 39.3 per cent of investors are investing less than 25 per cent in mutual funds, 36.1 per cent are investing 25-50 per cent and remaining 6.6 per cent of investors are investing 50-75 per cent and 18 per cent are investing more than 75 per cent of their total investments in mutual funds. In the monthly income group 50,000 and above, 21.7 per cent of the investors are investing less than 25 per cent, 17.4 per cent are investing 25 – 50 per cent and 4.3 per cent are investing 50 - 75 per cent and remaining 56.5 per cent are investing more than 75 per cent of their investment in mutual funds. From the Table, it is clear that majority of investors are investing more than 25 per cent of their funds in mutual funds especially, the ₹ 10,000-20,000 income groups. Mutual Funds are mainly catering to the needs of the middle income groups. So they invest more in mutual funds.

To verify whether there exists any significant association between income and mutual fund investments, chi-square test was conducted and which is significant at one per cent level.

5.2. Source of Information about Mutual Funds

Investors are aware about mutual funds through various sources namely friends and relatives, agents and brokers of various mutual fund companies, print media like brochures, notices, daily newspapers, magazines etc, broadcast media like television, radio etc, outdoor media like window displays, road shows, flexes etc and electronic media like computers, emails, websites etc.

The investors were asked to rank the source of information as one, two, three, four, five and six in the order of preference they had given at the time of mutual fund investment decisions. The ranks given by them were analysed with the help of weighted mean and assigned ranks to these sources accordingly. The result, thus, obtained is presented in Table 5.5.

Table 5.5 Source of Information about Mutual Fund Investments

Source of Information	Mean	Rank
Friends and Relatives	4.951	1
Agents and Brokers	4.858	2
Print Media	4.337	3
Broadcast Media	3.946	4
Outdoor Media	2.060	5
Electronic Media	2.058	6

Source: Field Survey.

The Table 5.5 revealed that the important source of information is friends and relatives as the mean is 4.951 and is maximum. Similarly, the other sources are ranked in the order of their mean score. Agents and Brokers is ranked second, print media and Broad caste media follows with

third and fourth rank. Outdoor media and Electronic media   got 5th and sixth rank respectively.

5.3. Periodical Investment Plans

AMFI   permits mutual fund houses to adopt different investment plan for investments in mutual funds viz. lump sum, Systematic Investment Plans (SIPs) and both. SIP is a way of investing regularly in mutual fund schemes. Through this, you can invest a fixed amount (as low as ₹ 100 and in multiples thereafter) monthly or quarterly for a pre-determined period in a fund. Units are allotted to investors at the net asset value existing on the day of investment. Lump sum amount of investment is that investors invest in mutual funds only at one time, the minimum investment is ₹ 5000. In the case of both option i.e. lump sum and SIP, investors can opt both lump sum method and SIP.

The Table 5.6 shows the number of investors and per cent of investor's belongings to each periodic plan.

Table 5.6 Periodical Investment Plans

Periodical Plans	Frequency	Percent	Cumulative Percent
SIP	458	50.9	50.9
Lump sum	183	20.3	71.2
SIP and Lump sum	259	28.8	100
Total	**900**	**100**	**100**

Source: Field Survey

It is clear from the Table that, out of 900 investors, majority (50.9 percentages) selected SIP and another 28.8 percent selected both SIP and Lump sum and the remaining 20.3 percent select Lump sum. This may be due to investors were cautious about the rupee averaging principle or the time value of money. From the Table, it is clear that the majority of the respondents were regular investors in mutual funds.

To know whether there exists any significant relation between periodic saving plan and investors' gender, age and income, analysis was conducted and the result was as follows:

The response of the investors was cross-tabulated with their gender and presented in Table 5.7.

Table 5.7 Periodical Investment Plans - Investors' Gender wise Analysis

Gender	Investment Plans			Total
	SIP	**Lump sum**	**SIP and Lump sum**	
Male	390	138	211	739
	(52.80)	(18.70)	(28.60)	(100.00)
Female	68	45	48	161
	(42.20)	(28.00)	(29.80)	(100.00)
Total	458	183	259	900
	(50.90)	(20.30)	(28.80)	(100.00)
$\chi^2 = 8.553^*$ df = 2; P = 0.014				

*Figures in brackets denotes per cent; * Significant at 0.05 levels;*
Source: Field Survey.

It is clear from Table 5.7 that, among males 52.80 per cent are selected SIP, 18.70 per cent are selected lump sum and 28.60 per cent are selected both SIP and lump sum whereas among the females 42.20 per cent are selected SIP, 28 per cent are selected Lump sum and 29.8 per cent are selected SIP and Lump sum together. From this, it is clear that both male and female were regular investors of mutual funds.

To verify whether there exist any significant association between gender and periodical investment plan chi-square test was conducted and which is significant at five per cent level.

The response of the investors were also cross –tabulated with their age and presented in the Table 5.8.

Table 5.8 Periodical Investment Plans - Investors' Age wise Analysis

Age	Investment Plans			Total
	SIP	Lump sum	SIP and Lump sum	
Below 20	3	1	2	6
	(50.00)	(16.70)	(33.30)	(100.00)
20-40	271	113	149	533
	(50.80)	(21.20)	(28.00)	(100.00)
40-60	175	67	101	343
	(51.00)	(19.50)	(29.40)	(100.00)
60 and above	9	2	7	18
	(50.00)	(11.10)	(38.90)	(100.00)
Total	458	183	259	900
	(50.90)	(20.30)	(28.80)	(100.00)
$\chi^2 = 1.964^{ns}$ df = 6; P = 0.923				

Figures in brackets denotes per cent; ns- non significant at 0.05 levels;
Source: Field Survey.

From Table 5.8, it is understood that, among the respondents below 20 years of age, 50 per cent selected SIP, 16.70 per cent selected Lump sum and 33.3 per cent both lump sum and SIP. Respondents between 20-40 years, 51per cent opted SIP, 19.5 per cent Lump sum and 29.4 per cent both SIP and lump sum. Among the respondents between 40-60 years of age, 51 per cent selected SIP, 19.5 per cent selected Lump sum and 29.4 per cent selected both lump sum and SIP. 50 per cent of the respondents above 60 years of age selected SIP, 11.1 per cent selected Lump sum and 38.9 per cent selected both lump sum and SIP. From this, it is clear that irrespective of the different age groups, all investors were regular investors of mutual funds.

To verify whether there exist any significant association between age and periodic saving plan chi-square test was conducted and which is insignificant at five per cent level.

The response of the investors were also cross –tabulated with their monthly income and presented in the Table 5.9.

Table 5.9 Periodical Investment Plans- Income wise Analysis

Monthly Income (₹)	Investment Plans			Total
	SIP	Lump sum	SIP and Lump sum	
Below 10,000	35	4	10	49
	(71.40)	(8.20)	(20.40)	(100.00)
10,000 - 20,000	279	67	115	461
	(60.50)	(14.50)	(24.90)	(100.00)
20,000 - 30,000	78	58	66	202
	(38.60)	(28.70)	(32.70)	(100.00)
30,000 - 40,000	38	30	36	104
	(36.50)	(28.80)	(34.60)	(100.00)
40,000 - 50,000	26	13	22	61
	(42.60)	(21.30)	(36.10)	(100.00)
50,000 and above	2	11	10	23
	(8.70)	(47.80)	(43.50)	(100.00)
Total	458	183	259	900
	(50.90)	(20.30)	(28.80)	(100.00)
$\chi^2 = 70.672^{**}$ df = 10; P < 0.001				

Figures in brackets denotes per cent;** significant at 0.01 levels;
Source: Field Survey.

It is revealed from the Table 5.9, among the respondents whose monthly income was below 10,000, 71.45 per cent selected SIP, 20.40 percent both Lump sum and SIP, and only a small proportion of 8.20 per cent selected Lump sum. Those respondent whose monthly income was between 10,000-20,000,intended to invest as follows: 60.5 percent selected SIP, 24.9 per cent selected both SIP and lump sum and only 14.5 per cent selected lump sum. Among the respondents whose monthly income was 20,000-30,000, 38.6 percent selected SIP, 32.7 per cent selected both SIP and lump sum and only 28.7 per cent selected lump sum. The selection of the periodic plan of the income group of 30,000-40,000 was 36.5 per cent selected the SIP, 34.6 percent selected both SIP and lump sum and 28.8 per cent selected lump sum plan. Among the respondents whose monthly

income was in between 40,000-50,000, 42.6 percent selected the SIP, 36.10 percent selected both SIP and lump sum and 21.3 per cent selected Lump sum. For the monthly income group of 50,000 and above the selection criteria was as follows: 47.8 per cent selected lump sum, 43.5 per cent selected both SIP and lump sum and 8.7 per cent selected SIP. The analysis revealed that, lower income groups preferred regular investments in mutual funds than lump sum investments.

To verify whether there exist any significant association between income and periodic saving plan chi-square test was conducted and which is significant at one per cent level.

5.4   Duration of Investments in Mutual Funds

Investors are of different types and their investment horizon also is different. Someone may be interested in making investments for a short period of time, while others be may interested in medium term investments or long term investments. Actually mutual fund investments are good for long term investments. The benefits of mutual fund investment can be enjoyed only we make investments at least for more than three years i.e. for medium term. The investors were asked to give opinion on the period of investments they prefer.   Table 5.10 exhibits the frequency of the duration of investments in mutual funds.

Table 5.10 Duration of Investments in Mutual Funds

Duration	Frequency	Percent
Less than three years	44	4.9
3 -5 years	245	27.2
5 -10 years	331	36.8
10 -15 years	247	27.4
15 years and above	33	3.7
Total	900	100

Source: Field Survey

It is revealed from the above Table, among the respondents only 4.9 per cent invest for a period less than 3 years, 27.3 percent has preferred investment for a period of 3-5 years, the per cent of respondents who like to invest a period of 5-10 years is 36.9. A 27.5 percent of the respondents like to invest for a longer period of 10-15 years and the remaining 3.5 percent invest for the longest period of 15 years or more.

The responses of the investors were cross-tabulated with their gender and presented in Table 5.11.

Table 5.11 Duration of Investments in Mutual Funds – Investors' Gender wise Analysis

Gender	Duration of investments					Total
	Less than three years	**3 -5 years**	**5 -10 years**	**10 -15 years**	**15 years and above**	
Male	36	182	279	210	32	739
	(4.90)	(24.70)	(37.90)	(28.50)	(4.10)	(100.00)
Female	8	63	52	37	1	161
	(5.00)	(39.10)	(32.30)	(23.00)	(0.60)	(100.00)
Total	44	245	331	247	33	900
	(4.89)	(27.22)	(36.78)	(27.44)	(3.67)	(100.00)

Figures in brackets denote percentage to total;Source: Field Survey.

From the above Table the percentage of males who invest for a shorter period of less than three years and 3 to 5 years are 4.9 per cent and 24.7 per cent respectively and the percentage of the females in this category are 5 and 39.1. For the medium period of 5-10 years the percentage of males and females are respectively 37.9 per cent and 32.3 per cent. 28.5 per cent of male and 23 per cent of the females prefer to invest for a long period of 10-15 years and the percentage of the preference of the males and females for a longer period of investment of more than 15 years is respectively 4.1 and 0.1 per cent. From the above Table it is clear that males generally prefer medium to long term investment pattern where as females prefer short term investment.

The data collected from the respondent was also cross tabulated with their age and is presented in the Table 5.12.

Table 5.12 Duration of Investments in Mutual Funds – Investors' Age wise Analysis

Age	Duration of Investments					Total
	Less than 3 years	3 -5 years	5 -10 years	10 -15 years	15 years and above	
Below 20	0	0	4	2	0	6
	(0.00)	(0.00)	(66.70)	(33.30)	(0.00)	(100.00)
20-40	26	160	188	132	27	533
	(4.90)	(30.10)	(35.40)	(24.90)	(4.70)	(100.00)
40-60	13	76	136	112	6	343
	(3.80)	(22.20)	(39.70)	(32.70)	(1.70)	(100.00)
60 and above	5	9	3	1	0	18
	(27.80)	(50.00)	(16.70)	(5.60)	0.00	(100.00)
Total	44	245	331	247	33	900
	(4.89)	(27.22)	(36.78)	(27.44)	(3.67)	(100.00)

Figures in brackets denote percentage to total; Source: Field Survey.

From the above Table it is easy to see that the respondents in the age group below 20 and 40-60 prefer medium or long term investment to short term investment. Similarly the subjects in the age group of 20-40 prefer short and medium term investment. But the majority of persons in the age group above 60 prefer short term investment of less than 5 years. It is quite natural that higher age groups prefer short term investments.. The chi square test shows that the type of choice of investment pattern depends on the age.

The responses of the investors were cross-tabulated with their income and presented in Table 5.13.

Table 5.13 Duration of Investments in Mutual Funds – Investors' Income wise Analysis

Monthly Income	Duration of Investments					Total
	Less than 3 years	3 -5 years	5 -10 years	10 -15 years	15 years and above	
Below 10,000	8	25	11	5	0	49
	(16.30)	(51.00)	(22.40)	(10.20)	0.00	(100.00)
10,000 - 20,000	20	116	184	127	14	461
	(4.30)	(25.20)	(39.90)	(27.50)	(3.00)	(100.00)
20,000 - 30,000	7	47	60	78	10	202
	(3.50)	(23.40)	(29.90)	(38.80)	(4.95)	(100.00)
30,000 - 40,000	3	33	38	26	4	104
	(2.90)	(32.00)	(36.90)	(25.20)	(3.84)	(100.00)
40,000 - 50,000	5	15	31	7	3	61
	(8.20)	(24.60)	(50.80)	(11.50)	(4.90)	(100.00)
50,000 and above	1	9	7	4	2	23
	(4.30)	(39.10)	(30.40)	(17.40)	(8.70)	(100.00)
Total	44	245	331	247	33	900
	(4.90)	(27.22)	(36.77)	(27.44)	(3.67)	(100.00)

Figures in brackets denote percentage to total;
Source: Field Survey.

From the Table it is clear that, the majority of respondents whose income is less than 10,000 or above 40000 prefer short term or medium term investment i.e investment less than 10 years whereas the other two income group (2000-30000 and 30000-40000) prefer long term investment of 10 years or more.

5.5 Objectives of Investments in Mutual Funds

Mutual funds investment objectives are preservation of principal, current income, growth and income, conservative growth, aggressive growth and tax benefits. The investors were asked to rank these objectives according to the order of preference. The following Table shows the rank assigned by investors to each objective.

Table 5.14 Objectives of Investments in Mutual Funds

Objectives of Investments in Mutual Funds	Mean	Rank
Preservation of principal	4.781	2
Current income	4.393	3
Growth and income	5.101	1
Conservative Growth	3.583	4
Aggressive growth	2.119	6
Tax benefits	2.863	5

Source: Field Survey

The objectives of investing in MFs were in the order Growth and Income, Preservation of Principal, Current Income, Conservative Growth, Tax benefits and Aggressive growth.

To verify whether this trend is same for gender wise, age wise and monthly income wise analysis test were conducted.

Table 5.15 Objectives of Investments in Mutual Funds – Investors' Gender wise Analysis

Mutual fund Investment Objectives	Gender			
	Male		Female	
	Mean	Rank	Mean	Rank
Preservation of principal	4.756	2	4.905	2
Current income	4.425	3	4.19	3
Growth and income	5.126	1	4.987	1
Conservative Growth	3.52	4	3.891	4
Aggressive growth	2.014	6	2.714	6
Tax benefits	2.75	5	3.395	5

Source: Field Survey

It is clear from the Table that, the objective of investing in MFs of both the males and females are in the order growth and income, preservation of principal, current income, conservative growth, tax benefits and aggressive growth. Ranking of male and female was in perfect agreement.

The responses were also cross- tabulated with their age and presented in the Table 5.16.

Table 5.16 Objectives of Investments in Mutual Funds – Investors' Age wise Analysis

Objectives of Investments in Mutual Fund	Age							
	Below 20		20-40		40-60		60 and above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Preservation of principal	4.167	3	4.815	2	4.73	2	5	1
Current income	4.4	2	4.373	3	4.42	3	4.429	3
Growth and income	5.5	1	5.043	1	5.198	1	4.824	2
Conservative Growth	2.333	6	3.647	4	3.488	4	4	4
Aggressive growth	2.667	5	2.159	6	2.019	6	3	6
Tax benefits	3.25	4	2.924	5	2.745	5	3.3	5

$\chi^2 = 1.086^{ns}$ df=3; P = 0.780

ns- non- significant at 0.05 levels; Source: Field Survey

The objective of investing in MFs of the respondents whose age is below 20 are in the order growth and income, Preservation of principal, Current income, Conservative Growth, Aggressive growth and Tax benefits and that in the age group 20-40 and 40-60 are in the order growth and income, Preservation of principal, Current income, Conservative Growth, Tax benefits and Aggressive growth. Finally, the choice of the subjects with age above 60 are in the order Preservation of principal, growth and income, Current income, Conservative Growth, Tax benefits and Aggressive growth.

The Friedman repeated measures on Ranks on age shows that there is no association between age and mutual fund investment objectives.

The data collected from the respondents were also cross tabulated with their monthly income and presented in the Table 5.17.

Table 5.17 Objectives of Investments Mutual Funds - Investors' Income wise Analysis

Mutual fund investment objectives	Monthly Income (₹)													
	Below 10,000		10,000 - 20,000		20,000 - 30,000		30,000 - 40,000		40,000 - 50,000		50,000 and above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Preservation of principal	5.07	1	4.667	2	4.765	2	5.244	1	5.231	1	4.059	3
Current income	4.56	3	4.543	3	4.123	3	4.12	5	4.174	3	3.706	6
Growth and income	4.88	2	5.17	1	5.209	1	4.742	2	4.93	2	5.211	1
Conservative Growth	3.28	5	3.433	4	3.604	4	4.156	4	4	5	4.077	2
Aggressive growth	3.4	4	1.73	6	2.008	6	3.026	6	3.885	6	3.909	4
Tax benefits	2.35	6	2.267	5	2.937	5	4.164	3	4.146	4	3.857	5

$\chi^2 = 1.995^{ns}$ df=5; P = 0.850

ns non significant Source: Field Survey

The Table 5.17 revealed that, the objective of investing in MFs of the respondents who's income below 10000 are in the order Preservation of principal, Growth and income, Current income, Aggressive growth, Conservative Growth and Tax benefits that in the income group 1000-20000 and 20000-30000 30000-40000 are in the order growth and income, Preservation of principal, Current income, Conservative Growth, Tax benefits and Aggressive growth. The choice of the income group 30000-40000 are in the order Preservation of principal , Growth and income, Current income, Tax benefits, Conservative Growth and Aggressive growth and that in the income group 40000-5000 are in the order Preservation of principal, Growth and income, Current income, Aggressive growth, Tax benefits and Conservative Growth. Finally the choice of the respondents whose income is 50,000 or above is Growth and income, Conservative Growth, Preservation of principal, Aggressive growth, Tax benefits and Current income.

The Friedman test on Ranks on income showed there was no significant association between monthly income and mutual fund investment objectives.

5.6   Preference of Mutual Funds

5.6.1 Mutual Funds - Type wise Analysis

Mutual Funds can be classified into different types. On the basis of structure it can be classified as open-ended, close-ended and interval funds. Funds that can sell and purchase units at any point in time are classified as Open-end Funds. Funds that can sell a fixed number of units only during the New Fund Offer (NFO) period are known as Closed-end Funds. Interval funds combine the features of open-ended and close-ended schemes. They are open for sale or redemption during pre-determined intervals at NAV related prices.

The investors were asked to rank the order of preference of mutual funds schemes. The Table below shows the rank assigned to various schemes by investors.

Table 5.18 Investors' Preference on Various Mutual Funds

Types of Mutual Funds	N	Mean	Rank
Open Ended Fund	900	2.5172	1
Closed Ended Fund	900	1.8783	2
Interval Fund	900	1.6172	3

Source: Field Survey.

From the Table, it is clear that, the orders of preference of mutual fund types were open –ended, close-ended and interval fund.

To verify the preference is same for gender wise, age wise and monthly income wise analysis test were conducted.

Table 5.19 Preference on Various Mutual Funds - Investors' Gender wise Analysis

Types of Mutual Funds	Gender			
	Male		Female	
	Mean	Rank	Mean	Rank
Open- Ended Fund	2.542	1	2.404	1
Close-Ended Fund	1.853	2	1.994	2
Interval Fund	1.62	3	1.603	3

Source: Field Survey.

The gender wise analysis also shows the same pattern.

The responses of the investors were also cross- tabulated with the age and the result is exhibited in Table 5.20.

Table 5.20 Preference on Various Mutual Funds - Investors' Age wise Analysis

Types of Mutual Funds	Age							
	Below 20		20-40		40-60		60 and above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Open- Ended Fund	3	1	2.495	1	2.523	1	2.889	1
Close-Ended Fund	2	2	1.885	2	2	2	1.889	2
Interval Fund	1	3	1.641	3	1.612	3	1.222	3

Source: Field Survey.

The choice of the fund type are in the order open-ended fund, closed ended fund and interval fund for the total data the respondents of all the age groups.

Table 5.21 Preference on Various Types of Mutual Funds - Investors' Income wise Analysis

Types of Mutual Funds	Monthly Income(₹)											
	Below 10,000		10,000 - 20,000		20,000 - 30,000		30,000 - 40,000		40,000 - 50,000		50,000 and above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Open-Ended Fund	2.45	1	2.571	1	2.542	1	2.452	1	2.361	1	2.087	1
Close-Ended Fund	2	2	1.83	2	1.911	2	1.903	2	2.016	2	1.826	2
Interval Fund	1.55	3	1.618	3	1.55	3	1.66	3	1.639	3	2.087	1

Source: Field Survey.

The preference for mutual fund types for all the income groups except those that belong to the income group of above 50000 were same as open-ended, close-ended and interval fund. The ₹ 50, 000and above group prefers the open ended and interval funds equally followed by closed fund.

5.6.2 Preference on Various Schemes of Mutual Funds

On the basis of investment objective, the mutual fund schemes can be classified as equity schemes, income schemes, balanced schemes, liquid/money market schemes, ELSS-equity, ETF schemes, gilt schemes, fund of funds and overseas fund etc.

The investors were asked to rank at least any five schemes according to their order of preference. The Table given below shows the rank assigned to each schemes.

Table 5.22 Investors' Preference on Various Schemes of Mutual Funds

Schemes of Mutual Funds	Frequency	Mean	Rank
Equity Scheme	898	8.790	1
Income Scheme	876	8.096	2
Balanced Scheme	890	7.630	4
Liquid/Money market Scheme	798	7.850	3
ELSSS-Equity	747	4.384	7
Gold ETF	761	5.714	6
Other ETFs	575	2.308	10
Gilt Schemes	578	3.761	8
Fund of Funds	591	6.217	5
Overseas Fund	598	2.911	9

Source: Field Survey.

The analysis of preference of mutual fund schemes by investors revealed that their first preference was equity schemes. Second and third preferences respectively were income schemes and money market/liquid

schemes. From this, it is clear that investors were choosing mutual fund schemes according to their first three investment objectives as growth and income, preservation of principal and current income.

The preference for different investment schemes with respect to gender, age and income based on the weighted mean are exhibited in the following Tables.

Table 5.23 Preference on Various Schemes of Mutual Funds – Investors' Gender wise Analysis

Schemes of Mutual Funds	Gender			
	Male		Female	
	Mean	Rank	Mean	Rank
Equity Schemes	8.792	1	8.776	1
Income Scheme	8.092	2	8.115	2
Balanced Scheme	7.576	4	7.881	3
Liquid/Money Market Scheme	7.975	3	7.214	4
ELSS-Equity	4.04	7	6.096	6
Gold ETF	5.594	6	6.383	5
Other ETFs	2.205	10	3.074	10
Gilt Schemes	3.799	8	3.486	8
Fund of Funds	6.363	5	5.088	7
Overseas Fund	2.862	9	3.25	9
$Z = 0.764^{ns;}$ P = 0.445				

 ns non significant at 0.05 levels;
Source: Field Survey

From the above Table it can be observed that the male respondents order of preference for mutual funds schemes were equity schemes, income scheme, liquid/money market scheme, balanced schemes, Fund of funds, gold ETF, ELSS-Equity, gilt scheme, overseas fund and other ETFs.

For the female respondents the order of preference were equity scheme, income scheme, balanced scheme, liquid /money market scheme, gold ETF, ELSS-equity, Fund Of Funds, gilt schemes, overseas fund and other ETFs. To know whether there exists any disagreement in the ranking of both male and female Wilcoxon Signed Rank Test is used and it was found to be non significant this indicates that the ranking of male and female was almost same.

The responses of the investors were also cross- tabulated with the age and the result is exhibit in Table 5.24.

Table 5.24 Preference on Various Mutual Fund Schemes – Investors' Age wise Analysis

Types of mutual fund Schemes	Age							
	Below 20		20-40		40-60		60 and above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Equity Schemes	9.667	1	8.75	1	8.851	1	8.5	2
Income Scheme	7.833	3	8.146	2	7.991	3	8.75	1
Balanced Scheme	6.833	5	7.667	3	7.576	4	7.833	3
Liquid/Money Market Scheme	8	2	7.667	3	8.161	2	7.067	4
ELSS-Equity	4	7	4.723	6	3.806	7	5.875	7
Gold ETF	7	4	5.79	5	5.529	6	6.429	5
Other ETFs	3	8	2.436	9	2.114	10	2.6	10
Gilt Schemes	3	8	3.755	7	3.72	8	6	6
Fund of Funds	6	6	6.125	4	6.407	5	3.667	8
Overseas Fund	4	7	2.755	8	3.098	9	3.333	9
$\chi^2 = 1.200^{ns}$; df = 3; P = 0.753								

ns non significant at 0.05 levels
Source: Field Survey.

From the above Table it can be noticed that for the age group of below 20 years the order of preference for the mutual fund schemes were equity scheme, liquid schemes, income scheme, gold ETF, balanced scheme, fund of funds, overseas fund and ELSS got same rank(7) ,other ETF and gilt scheme got same rank(8).those respondents who come under the age group of 20-40 preferred the following order: equity schemes, income scheme, balanced and liquid scheme got same rank(3), fund of funds, gold ETF, ELSS, Gilt scheme, overseas fund and other ETFs. The order of preference of the age group of 40-60 were equity scheme, liquid schemes, income scheme, balanced scheme, fund of funds, gold ETF, ELSS, gilt scheme, overseas fund and other ETFs. The order of preference of the age group of 60 and above were income scheme, equity scheme, liquid scheme, gold ETF, gilt scheme, ELSS, fund of funds, overseas fund and other ETFs. Except for the age group of 60 and above for all other group the first preference was towards the equity scheme. The older people were cautious about their investment and they were less risk takers.

To know the significance of the preference among different age groups, the Friedman Repeated Measures Analysis of Variance on Ranks was conducted, which shows ranking of the preferences of scheme is almost same by different age group.

The responses of the investors were also cross- tabulated with their monthly income and the result is exhibit in Table 5.25.

Table 5.25 Preference on Various Mutual Fund Schemes – Investors' Income wise Analysis

Schemes of Mutual Funds	Below 10,000		10,000 - 20,000		20,000 - 30,000		30,000 - 40,000		40,000 - 50,000		50,000 and above	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Equity Schemes	8.82	1	8.805	1	8.806	1	8.567	1	8.983	1	8.783	1
Income Scheme	8.72	2	8.134	3	7.908	2	8.208	2	8	2	7.409	4
Balanced Scheme	7.51	3	7.529	4	7.716	4	7.798	3	7.897	3	7.727	2
Liquid/Money Market Scheme	7.29	4	8.213	2	7.774	3	7.353	4	7.024	5	5.25	7
ELSS-Equity	3.95	8	3.409	8	4.431	7	6.6	5	7.157	4	7.526	3
Gold ETF	6.82	5	5.479	6	5.653	6	5.952	6	6.676	6	7	5
Other ETFs	2.83	10	2.003	10	2.348	10	4.031	9	4.667	10	5.125	8
Gilt Schemes	4.76	7	3.72	7	3.612	8	3.882	10	4.75	9	4	10
Fund of Funds	5.47	6	6.317	5	6.331	5	5.559	7	5.385	8	5.4	6
Overseas Fund	3	9	2.614	9	2.81	9	4.214	8	5.667	7	4.545	9

$\chi^2 = 5.200^{ns}$; df = 5; P = 0.392

ns non significant, Source: Field Survey.

From the Table 5.25 it is noticed that irrespective of different income groups, their first preference was towards equity schemes. For the income groups below 10,000, the next order of preference was income scheme, balanced scheme, liquid scheme, gold ETF, fund of funds, gilt scheme, ELSS, overseas funds and other ETFs. The order of preference of the income group 10,000-20,000 was equity scheme, liquid scheme, income scheme, balanced scheme, fund of funds, gold ETF, gilt scheme, ELSS, overseas fund and other ETFs. For those who belongs to the 20,000-30,000 category, the order of preference was equity, liquid, income, balanced, fund of funds, gold ETF, ELSS, gilt, overseas and other ETFs schemes. The 30,000-40,000 income group preferred equity, income, balanced, liquid ELSS, gold ETF, fund of funds, overseas, other ETFs and gilt schemes. The order of preference of the income group 40,000-50,000 was equity, income, balanced, ELSS, liquid, gold ETF, overseas, fund of funds, gilt and other ETFs schemes. For those belonging to the 50,000 and above income category, the order of preference was equity, balanced, ELSS, income, gold ETF, fund of funds, liquid, other ETFs, overseas and gilt schemes.

To know the significance of the preference of different income group, the Friedman Repeated Measures Analysis of Variance on Rank Test was conducted, which also showed that the ranking of the preferences of scheme was almost same by different income group.

5.7 Awareness on Risk in Investments in Mutual Funds

Every type of investment, including mutual funds, involves risk. Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. A fund's investment objective and its holdings are influential factors in determining how risky a fund is. The major risks associated with mutual fund investments are market risk (The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.), credit risk (The possibility that a bond issuer will fail to repay interest and principal in a timely manner. Also called default risk.),

inflation risk (The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.), interest rate risk (The possibility that a bond fund will decline in value because of an increase in interest rates.), investment risk(the possibility of loss money than any other sorts of investment), liquidity risk (a danger faced by holders of liquid securities who are forced to sell a relatively large lot in a short period.) and Change in the government Policy (some government policy may adversely affect the return expectation of the investor).

The respondents were asked to rate the different risks according to the order of awareness as 5 for fully aware, 4 for aware, 3 for partially aware, 2 for somewhat aware and 1 for not at all aware. The responses of the investors were tabulated and mean values were calculated. Based on the mean ranks were assigned and the result is presented in Table 5.26.

Table 5.26 Awareness on Risks in Investments in Mutual Funds

Types of Risks	Mean	Std. Deviation	CV	Rank
Investment Risk	4.16	0.79	19.03	1
Market Risk	4.10	0.88	21.39	2
Interest rate Risk	3.97	0.80	20.25	3
Liquidity Risk	3.89	0.79	20.28	4
Credit Risk	3.84	0.77	19.9	5
Change in the government Policy	3.63	1.06	29.08	6
Inflation Risk	3.60	0.87	24.19	7

Source: Field Survey

From the Table 5.26 it can be understood that awareness on mutual funds risk among investors were in the order of investment risk, market risk, interest rate risk, liquidity risk, credit risk, change in government policy and inflation risk.

To cross check whether this order of awareness would follow gender wise, age wise and monthly income wise analysis were conducted.

Table 5.27 Awareness on Risks in Investments in Mutual Funds – Investors' Gender wise Analysis

Types of Risks	Gender	N	Mean	Std. Deviation	Z	df	Sig. (2-tailed)
Market Risk	Male	739	4.1313	0.86035	2.628**	898	0.009
	Female	161	3.9317	0.92954			
Credit Risk	Male	739	3.8674	0.76066	1.93^{ns}	898	0.054
	Female	161	3.7391	0.7788			
Inflation Risk	Male	739	3.6103	0.86623	0.759^{ns}	898	0.448
	Female	161	3.5528	0.89373			
Interest rate Risk	Male	739	4.0379	0.78859	5.421**	898	<.001
	Female	161	3.6646	0.80579			
Investment Risk	Male	739	4.226	0.76266	5.34688	898	<.001
	Female	161	3.8634	0.85511			
Liquidity Risk	Male	739	3.9283	0.77495	3.41488	898	0.001
	Female	161	3.6957	0.82191			
Change in government policy	Male	739	3.6441	1.06395	0.723^{ns}	898	0.47
	Female	161	3.5776	1.0225			
Overall	Male	739	49.85	6.40	7.526**	898	<.001
	Female	161	45.62	6.76			

ns - non significant at 0.01 levels; ** significant at 0.01 levels.
Source: Field Survey

To find whether there exists any significant difference among males and female in awareness on saving avenue we conduct the Normal (Z test) test and the result is exhibited in the above Table. Except in case of credit risk, inflation risk and change in government policy, there exist a significant difference in awareness on mutual fund investment risks among male and female. In fact the awareness about mutual fund investment risks is more than that of the female. Overall awareness was done by adding the scores of the all the risk. Comparison of the overall awareness reveals that male investors have higher awareness compared to female investors.

The data is also cross tabulated with age and the result is exhibited in Table 5.28. To verify the awareness level among different age groups, ANOVA test was conducted. The F-values and corresponding p-values are given in Table 5.28.

Table 5.28 Awareness on Risks in Investments in Mutual Funds – Investors' Age wise Analysis

Mutual Fund Risks	Age group									Total		F-value	P - Value
	Below 20		20-40		40-60		60 and above						
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Market risk	4.17	0.41	4.12	0.85	4.05	0.92	4.06	0.87	4.10	0.88	0.486[ns]	0.692
Credit risk	4.00	0.63	3.86	0.75	3.83	0.79	3.56	0.78	3.84	0.77	1.096[ns]	0.350
Inflation risk	3.67	1.21	3.62	0.87	3.57	0.88	3.56	0.78	3.60	0.87	0.279[ns]	0.840
Interest rate risk	3.67	0.82	3.93[b]	0.80	4.07	0.79	3.28	0.96	3.97	0.80	6.984**	<0.001
Investment risk	4.00	0.63	4.13	0.80	4.24	0.76	3.72	1.02	4.16	0.79	3.261*	0.021
Liquidity risk	3.50	0.84	3.86	0.81	3.95	0.75	3.61	0.92	3.89	0.79	2.186[ns]	0.088
Change in Govt. Policy	3.83	0.75	3.63	1.07	3.63	1.05	3.67	1.03	3.63	1.06	0.081[ns]	0.97

ns- non significant at 0.05 levels; * significant at 0.05 levels; ** significant at 0.01 levels, Source: Field Survey.

From the age wise analysis of awareness of market risk, it is clear that the below 20 groups were most aware market risk, 20-40 group were most aware investment risk, 40-60 group were most aware investment risk and 60 and above group were most aware market risk. From the Table it is clear that irrespective of age groups, all investors were aware on market risk and investment risk.

From the Results of ANOVA, it is clear that there is no significant difference in the awareness on various mutual fund investment risks among different age groups except in case of interest rate risk (p = 0) and investment risk (p = 0.021). In both the case of interest rate risk and investment risk. The age group 60 and above has lowest awareness followed by below 20 age group. As the age group increase from below 20 to 20-40 and 40 to 60, awareness also increases.

The data is also cross tabulated with their monthly income and the result is exhibits in Table 5.29.

Table 5.29 Awareness on Risks in Investments in Mutual Funds – Investors' Income wise Analysis

Mutual Fund Risks	Income group(₹)												F-value	P-value
	Below 10,000		10,000 - 20,000		20,000 - 30,000		30,000 - 40,000		40,000 - 50,000		Above 50000			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Market risk	3.86	0.89	4.11	0.91	4.20	0.85	4.00	0.74	3.98	0.72	4.04	1.22	1.841^{ns}	0.102
Credit risk	3.59	0.81	3.83	0.78	3.88	0.78	3.81	0.71	4.00	0.66	4.13	0.69	2.381*	0.037
Inflation risk	3.43	0.96	3.49	0.90	3.72	0.85	3.76	0.70	3.77	0.78	3.96	0.82	4.738**	<0.001
Interest rate risk	3.65	0.86	4.05	0.77	4.08	0.79	3.74	0.80	3.66	0.83	3.96	0.82	7.036**	<0.001
Investment risk	3.82	0.91	4.31	0.74	4.21	0.78	3.82	0.73	3.77	0.82	4.09	0.85	13.014**	<0.001
Liquidity risk	3.61	0.86	3.93	0.76	3.95	0.82	3.79	0.75	3.74	0.83	3.96	0.82	2.488*	0.03
Change in Govt. Policy	3.41	0.89	3.62	1.09	3.63	1.09	3.73	0.93	3.69	1.03	3.83	0.98	0.832^{ns}	0.527

ns non significant at 0.05 levels; * significant at 0.05 levels; ** significant at 0.01 levels ; Source: Field Survey.

From the Table 5.29 it can be understood that for the income group below ₹ 10,000 the awareness on market risk was high; for those in the income group of ₹10,000 - 20,000 awareness on investment risk was high, the ₹ 20,000 - 30,000 income group were more aware on investment risk, for those in the income group of ₹ 30,000 - 40,000 awareness on market risk was high, the income group of ₹ 40,000 - 50,000 investors were more aware on credit risk and the rest were more aware of credit risk. The overall awareness of all income groups was more on investment risk.

To test whether there existed any significant difference in the awareness on investment risks in mutual funds and different income groups , ANOVA test was conducted. Results of ANOVA shows that except in case of market risk and change in government policy there exists significant difference between various income groups.

5.8 Return Expectation

Return is the reward for taking risk. There is a common belief that higher the risk, the higher will be the return. The investors are interested to invest in securities which optimize the risk –return trade off.

The investors were asked their return expectation. The response collected from the investors were tabulated and presented in Table 5.30.

Table 5.30 Return Expectation of Investors

Return Expectation	Frequency	Percent
High	350	38.9
Medium	536	59.6
Low	14	1.6
Total	900	100

Source: Field Survey

The Table reveals that majority of the respondents (59.6 per cent) expect medium or high return (38.9 per cent).

The result is also cross tabulated with gender, age and income.

Table 5.31 Return Expectation – Investors' Gender wise Analysis

Gender	Risk Expectation			Total
	High	**Medium**	**Low**	
Male	296	432	11	739
	(40.10)	(58.50)	(1.50)	(100.00)
Female	54	104	3	161
	(33.50)	(64.60)	(1.90)	(100.00)
Total	350	536	14	900
	(38.90)	(59.60)	(1.60)	(100.00)
$\chi^2 = 2.398^{ns}$; df = 2; P= 0.301				

Figures in brackets are percentages; ns non significant at 0.05 levels ;
Source: Field Survey.

From the Table, it is clear that irrespective of gender, all investors had medium return expectation. To know whether there existed any relationship between gender and return expectation chi-square test was conducted. The Chi-square result shows that there is no significant relationship between gender and return expectation.

The responses of the investors were cross –tabulated with their age and presented in Table 5.32.

Table 5.32 Return Expectation – Investors' Age wise Analysis

Age	Return Expectation			Total
	High	**Medium**	**Low**	
Below 20	1	5	0	6
	(16.70)	(83.30)	0.00	(100.00)
20-40	205	319	9	533
	(38.50)	(59.80)	(1.70)	(100.00)
40-60	141	198	4	343
	(41.10)	(57.70)	(1.20)	(100.00)
60 and above	3	14	1	18
	(16.70)	(77.80)	(5.60)	(100.00)
Total	350	536	14	900
	(38.90)	(59.60)	(1.60)	(100.00)
$\chi^2 = 7.620^{ns}$; df = 6; P= 0.267				

Figures in brackets are percentages; ns non significant at 0.05 levels ;
Source: Field Survey.

From the Table, it is clear that irrespective of age, all investors had medium return expectation. To know whether there existed any relationship between age and return expectation chi-square test was conducted. The chi-square result shows that there is no significant relationship between age and return expectation.

The responses of the investors were cross –tabulated with their monthly income and presented in the Table 5.33.

Table 5.33 Return Expectation – Investors' Income wise Analysis

Monthly Income (₹)	Return Expectation			Total
	High	Medium	Low	
Below 10,000	14	33	2	49
	(28.60)	(67.30)	(4.10)	(100.00)
10,000 - 20,000	158	298	5	461
	(34.30)	(64.60)	(1.10)	(100.00)
20,000 - 30,000	89	109	4	202
	(44.10)	(54.00)	(2.00)	(100.00)
30,000 - 40,000	45	57	2	104
	(43.30)	(54.80)	(1.90)	(100.00)
40,000 - 50,000	33	27	1	61
	(54.10)	(44.30)	(1.60)	(100.00)
50,000 and above	11	12	0	23
	(47.80)	(52.20)	(0.00)	(100.00)
Total	350	536	14	900
	(38.90)	(59.60)	(1.60)	(100.00)
$\chi^2 = 19.785^*$; df = 10; P= 0.031				

Figures in brackets are percentages;   ns- non significant at 0.05 levels ;
Source: Field Survey

From the Table, it is clear that irrespective of income, all investors had medium return expectation.   Besides that, the higher income groups expect more returns than the lower income groups. To know whether there exist any relationship between income and return expectation chi-square test was conducted. The Chi-square result shows that there is significant relationship between income and return expectation (p<.005).

5.9   Modes of Withdrawal

The returns from mutual funds may be less than expected due to many reasons like the fund may underperform, the economy may show a downward growth, may the share market not doing well etc. Investors were responding differently in this situation. Some may due to fear of loss of money withdraw the money from mutual fund immediately. Some other investors were waiting for a few days to take a decision, others may purchase other promising mutual funds and those investors who are long term investors may wait for few months in some situation.

The Table below shows the investors' preference for withdrawal while the return is less than their expectation.

Table 5.34 Modes of Withdrawal

Modes of withdrawal	Frequency	Percent
Immediate withdrawal	469	52.1
Wait for few days	118	13.1
Purchase other mutual fund schemes	157	17.4
Wait for few months	156	17.3
Total	900	100

Source: Field Survey

From the above Table it can be understand that about 52.1 per cent investors will withdraw immediately, 13.1 percent investors will wait for few days and another 17.3 per cent investors will wait for few months. The remaining 17.3 per cent investors will purchase other mutual fund schemes.

The result is also cross tabulated with gender, age and income.

From the Table 5.35, it can be find out that, 55.6 per cent of the males and 36 per cent of females say that they withdraw from MF's immediately. 10.4 per cent of the males and 25.5 per cent of females says

that they wait for few days and about 16.2 per cent of males and 22.4 per cent women are ready to wait for a few months. Only 17.7 per cent of the males and 16.1 per cent of the females say that they will Purchase other mutual fund schemes. So except in the purchase of the new mutual funds there exist a considerable difference among the opinion expressed by the males and females.

Table 5.35 Modes of Withdrawal – Investors' Gender wise Analysis

Gender	Modes of withdrawal				Total
	Immediate withdrawal	Wait for few days	Purchase other mutual fund schemes	Wait for few months	
Male	411	77	131	120	739
	(55.60)	(10.40)	(17.70)	(16.20)	(100.00)
Female	58	41	26	36	161
	(36.00)	(25.50)	(16.10)	(22.40)	(100.00)
Total	469	118	157	156	900
	(52.10)	(13.10)	(17.40)	(17.30)	(100.00)

Figures in parenthesis denote per cent; Source: Field Survey

The responses of the investors were cross –tabulated with their age and presented in the Table 5.36.

Table 5.36 Modes of Withdrawal – Investors' Age wise Analysis

Age	Mode of withdrawal				Total
	Immediate withdrawal	Wait for few days	Purchase other mutual fund schemes	Wait for few months	
Below 20	3	0	0	3	6
	(50.00)	0.00	0.00	(50.00)	(100.00)
20-40	273	64	96	100	533
	(51.20)	(12.00)	(18.00)	(18.80)	(100.00)
40-60	191	47	60	45	343
	(55.70)	(13.70)	(17.50)	(13.10)	(100.00)
60 and above	2	7	1	8	18
	(11.10)	(38.90)	(5.60)	(44.40)	(100.00)
Total	469	118	157	156	900
	(52.10)	(13.10)	(17.40)	(17.30)	(100.00)

Figures in parenthesis denote per cent; Source: Field Survey

From the Table, it is clear that, 50per cent of the respondents in the below the age 20 prefer immediate withdrawal and the remaining 50per cent has the opinion that they will wait for few months. From the above Table, it was understood that the majority of the respondents in the age group 20-40 and 40-60 prefer immediate withdrawal but the majority of the respondents in the age group of 60 and above have the opinion that they will wait for few days or few months.

The response were also cross tabulated with their monthly income and presented in Table 5.37.

Table 5.37 Modes of Withdrawal – Investors' Income wise Analysis

Monthly Income (₹)	Mode of withdrawal				Total
	Immediate withdrawal	Wait for few days	Purchase other mutual fund schemes	Wait for few months	
Below 10,000	15	12	2	20	49
	(30.60)	(24.50)	(4.10)	(40.80)	(100.00)
10,000 - 20,000	256	19	105	81	461
	(55.50)	(4.10)	(22.80)	(17.60)	(100.00)
20,000 - 30,000	110	28	32	32	202
	(54.50)	(13.90)	(15.80)	(15.80)	(100.00)
30,000 - 40,000	52	29	10	13	104
	(50.00)	(27.90)	(9.60)	(12.50)	(100.00)
40,000 - 50,000	31	19	7	4	61
	(50.80)	(31.10)	(11.50)	(6.60)	(100.00)
50,000 and above	5	11	1	6	23
	(21.70)	(47.80)	(4.30)	(26.10)	(100.00)
Total	469	118	157	156	900
	(52.10)	(13.10)	(17.40)	(17.30)	(100.00)

Figures in parenthesis denote per cent; Source: Field Survey

From the above Table, it is clear that the respondents in the income groups, less than 10000 and those with income 50000 and above, were ready to wait for few days or few months where those in the other income group prefer to withdraw from the mutual funds immediately.

5.10 Influence of Characteristics of Mutual Funds on Investment Decisions

The investment in mutual fund provides many benefits to investors. Mutual fund helps small investors to enter into capital market with minimum investment. Mutual funds investments characteristics are regular income (income schemes provide regular income), Capital appreciation (growth funds provide capital appreciation, safety (compared to direct share market investment mutual funds investment are safe.), liquidity (ability to get in and out with relative ease. In general, investors are able to sell their mutual funds in a short period of time without there being much difference between the sale price and the most current market value.),tax benefits(investors don't have to pay any taxes on dividends issued by mutual funds. They also have the advantage of capital gains taxations. Tax –saving schemes and pension schemes give them the added advantage of benefits Under sec.88of Income Tax Act, investments up to ₹ 1,00,000 in them qualify for rebate ,diversification benefits(Considered the essential tool in risk management, make it possible for investors to diversify its portfolio because of the large corpus. However, a small investor cannot have a well-diversified portfolio because it calls for large investment), Flexibility (investors can switch over from one fund to another), professional management (When investors buy a mutual fund, they are also choosing a professional money manager. This manager will use the money that investors invest to buy and sell stocks that he or she has carefully researched. Hence, mutual fund investment provides a basket of advantages to small investors.

In the present study, investors were asked to rate the characteristics of mutual funds on a five point Likert scale. Based on the response of the investors mean and standard deviations were calculated. Based on the mean, ranks were assigned to each characteristic. The result, thus obtained is presented in Table 5.38.

Table 5.38 Characteristics of Mutual Funds

Characteristics of MFs	Mean	Std. Deviation	CV	Rank
Safety	4.55	0.71	15.72	1
Regular Income	4.42	0.89	20.21	2
Capital Appreciation	4.38	0.66	15.12	3
Liquidity	4.23	0.81	19.06	4
Professional Management	4.18	0.9	21.58	5
Flexibility	4.04	0.84	20.83	6
Diversification Benefits	4.00	0.87	21.7	7
Tax Benefits	3.99	0.88	21.97	8

Source: Field Survey

From the analysis of the data presented in the Table, it is understood that the first factor that shapes the preference of the investors in favor of mutual funds was safety followed by regular income, capital appreciation, liquidity, professional management, flexibility, diversification benefits and tax benefits.

To know the most influencing factor on investment decisions, correlation was done between investment decisions and characteristics of mutual funds. The result of correlation is presented in the Table 5.39.

Table 5.39   Correlation between Characteristics of Mutual Funds and Investment Decisions

Factors	Correlation
Regular Income	0.442**
Capital Appreciation	0.275**
Safety	0.336**
Liquidity	0.190**
Tax Benefits	0.167**
Diversification Benefits	0.170**
Flexibility	0.226**
Professional Management	0.249**

** Significant at 0.01 levels;

From the correlation Table the most influencing characteristics of mutual funds on investment decisions is regular income followed by safety as the result is found to be significant at one per cent level. Actually the main attraction of the mutual fund investments is these two characteristics followed by professional management.

In order to calculate the preference on mutual fund characteristics while making mutual fund investment decisions, the investors' were asked to rate these characteristics according to their preference on a five point Likert scale. Then a total score for characteristics of mutual funds was obtained by adding the scores of all the statements related to characteristics of mutual funds. Then this score was compared with the mutual fund investment decisions to test the significance level using simple regression. The result of test carried out to know the influence of characteristics of mutual funds on investment decisions, is exhibited in Table 5.40.

Table 5.40 Characteristics of Mutual Funds and Investment Decisions in Mutual Funds – Regression Analysis

Independent Variable	Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Characteristics of Mutual Funds	.095	.001	.982	154.394[**]	.000
Adjusted R^2 = 0.964					

** Significant at 0.01 levels

From the regression analysis (Table 5.40), it is clear that investment decisions of investors is very much influenced by characteristics of mutual funds as the result is significant at one per cent level. The Standardised regression coefficient for characteristics of mutual funds is 0.982 and adjusted R^2 is 0.964. Hence, the result proves and support the third hypothesis stated as:

H3. *There exists a positive relationship between characteristics of mutual funds and investment decisions.*

5.11 Influence of Investment Specific Attitudes of Investors on Investment Decisions

Wood R and Zaichkosky J.L (2004) identified five investment specific attitudes namely confidence, risk attitude of investors, investment horizon, personalisation of loss and investment control. For the present study one more investment specific attitude was identified and included namely 'awareness on mutual funds'. The literature review [Raju,G. (1993), Leelamma M (2004)] revealed that lack of awareness of investors on mutual funds was the main reason for low investments in mutual funds.

In the present study, based on the review of literature six factors were identified to study the investment specific attitude of investors. These factors include their awareness, confidence, investment horizon, risk attitude, personalization of loss and investment control. From the review of literature and discussion with experts in the field, statements were separately developed to measure each factor. Reliability was tested for the statements based on Cronbach alpha which is 0.880. Investors were asked to rate these 24 statements at 5 point scale as 5 very important, 4 is important, 3 is somewhat important, 2 is not very important and 1 is not at all important. Based on the responses, the mean were calculated and based on these mean, ranks were assigned to each statements under each dimensions like awareness, confidence, risk attitude of investors, investment horizon, personalisation of loss and investment control as 1, 2, 3…etc. The Table 5.41 shows the statistical result of the analysis of investment specific attitudes of mutual fund investors.

Table 5.41 Investment Specific Attitudes of Investors

No	Factors	Mean	S.D.	Rank
	AWARENESS OF INVESTORS			
a	MFs are useful for small investors	4.52	0.71	1
b	MFs are the cheapest way to equity exposure	4.11	0.8	2
c	MFs investment is like owning any other asset	3.94	0.87	3
	CONFIDENCE OF INVESTORS			
d	MF is one of the best investment tools for one who is unable to track the market and manage his stock investment efficiently	3.95	0.89	1
e	Investing in MFs automatically provides necessary diversification of your investment	3.87	0.85	2
f	MFs give higher return than other investments	3.66	0.91	7
g	Equity MF Schemes are specially designed to cater the retail investors desire to invest stock market.	3.78	0.9	5
h	Bank Sponsored and institution sponsored MFs are more secured than private sector MFs	3.82	0.92	4
i	Trading of MF units on stock exchanges will help the investors in elimination of paper work, execution of transaction would be faster and m more convenient manner	3.85	0.86	3
j	Investing online in MFs is just as safe as investing in MFs offline	3.85	0.86	3
k	In terms of cost saving, the abolition of entry load will be beneficial to the investors in the long run	3.85	0.89	3
l	MFs are for all seasons and one need not wait for the market to go up to buy MFs	3.72	0.94	6
	INVESTMENT HORIZON			
m	The best way to make money is to adopt a long-term strategy	3.86	0.93	1
n	The optimum way of reaping benefits in any market cycle would be through a disciplined, regular and long-term investment approach	3.82	0.92	2
o	Money Market Mutual Funds Gilt funds and Liquid funds are good for investors having short-term investment horizon	3.81	0.92	3
	RISK ATTITUDE			
p	Choice of mutual fund scheme completely depends on investor's risk profile.	3.87	0.9	3
q	The best way to avoid market timing is through regular investing, or the Systematic Investment plan	3.93	0.88	1
r	Diversification through MFs reduces the risk because the stock in the portfolio of the MF may very rarely decline simultaneously or in the same proportion	3.83	0.88	4
s	Those investors with high risk appetite can choose equity MFs for their investments	3.89	0.91	2
	PERSONALISATION OF LOSS			
t	There is no need to concern about short-term fluctuations in the long-term investments.	3.89	0.93	1
u	Investors should try to make sure that their investments keep pace with inflation	3.86	0.87	2
v	If investors' can break even on an investment, they don't feel they have lost money.	3.69	0.93	3
	INVESTMENT CONTROL			
w	Investors should follow their investment closely	3.97	0.9	1
x	The investor, who has control over his investment, can make his own investment decisions without advice from others.	3.9	0.9	2

Source: Field Survey.

The analysis of the data presented in Table 5.41 revealed that awareness of investors is the most influencing factor on investment decisions. Hence, it is suggested that the AMC should take necessary steps to create awareness on investors about the mutual funds which will help to increase the volume of investments in mutual funds.

In order to know the relation between investment specific attitudes of investors with its sub dimensions, correlation was carried out and the result is exhibited in the Table 5.42

Table 5.42 Correlation of Investment Specific Attitudes with Sub Dimensions

Sub Dimensions	Correlation
Awareness of Investors	0.632**
Confidence of Investors	0.909**
Investment Horizon	0.712**
Risk Attitude	0.768**
Personalisation of Loss	0.712**
Investment Control	0.718**

** Significant at 0.01 levels.

From the Table 5.42, it is clear that confidence of investors (correlation coefficient 0.909) is the most influencing factor of investment specific attitudes followed by risk attitude (correlation coefficient 0.768). So if the AMCs can build confidence among the investors, they can attract more investments in mutual funds.

From the analysis of the responses of the investors (Table 5.41), it is clear that awareness of investors is the most influencing factor on investment decisions. The Table 5.42 revealed that confidence of investors is the most influencing factor of investment specific attitudes. Hence, through creating

awareness on mutual funds, AMCs can build confidence among the investors and they can attract more investments in mutual funds.

In order to know the relation between investment specific attitude of investors and their investment decisions, total scores were calculated by adding the scores of the corresponding statements in each dimensions and that scores were used for analysis. Simple regression analysis was carried out to know the influence of investment specific attitudes of investors on investment decisions; the result obtained is exhibited in Table 5.43.

Table 5.43 Investment Specific Attitudes and Investment Decisions in Mutual Funds – Regression Analysis

Independent Variable	Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Investment Specific Attitudes	.034	.000	.982	157.728[**]	.000
Adjusted R^2 = 0.965					

** Significant at 0.01 levels.

From the regression analysis (Table 5.43), it is clear that investment decisions of investors is very much influenced by investment specific attitudes as the result is significant at one per cent level. The Standardised regression coefficient for investment specific attitudes is 0.982 and adjusted R^2 is 0.965. Hence, the result proves and support the fourth hypothesis formulated as:

H4. *There exists a positive relationship between the investment specific attitudes of investors and investment decisions.*

5.12 Preference on Asset Management Companies

The Asset Management Companies actually manages the funds of various schemes. The AMC employs a large number of professionals to

make investments, carry out research and do agent and investor serving. In fact, the success of any MF depends upon the efficiency of this AMC. Presently there are four types of AMCs viz., bank sponsored joint ventures, UTI, LIC and private sector. So it is felt necessary to know the preference of investors on various AMCs.

Table 5.44 Investors' Preference on Asset Management Companies

Types	N	Mean	Rank
Bank sponsored joint ventures	900	4.5267	1
UTI	900	3.8533	4
LIC	900	4.0711	2
Private Sector	900	3.9933	3

Source: Field Survey

From the above Table, it is understood that the first preference on AMCs by investors was bank sponsored joint ventures followed by LIC, private sector and UTI. From this it can be concluded that even today, in the era of LPG, the banking sector won investors' confidence.

To test whether there exists any significant association between preferences on AMCs and gender, age and income tests were conducted.

Table 5.45 Preference on Asset Management Companies – Investors' Gender wise Analysis

Types of AMCs	Gender					
	Male			Female		
	Mean	Rank	N	Mean	Rank	N
Bank Sponsored Joint Ventures	4.579	1	739	4.286	1	161
UTI	3.885	4	739	3.708	3	161
LIC	4.096	2	739	3.957	2	161
Private Sector	4.066	3	739	3.658	4	161

Source: Field Survey

From the Table it is concluded that the first preference on AMCs for male and female was bank sponsored joint ventures, second preference was also the same as LIC. But the third preference for male was private sector and female was UTI.

The responses of the investors were cross –tabulated with their age and presented in Table 5.46.

Table 5.46 Preference on Asset Management Companies – Investors' Age wise Analysis

Types of AMCs	Age											
	Below 20			20-40			40-60			60 and above		
	Mean	Rank	N	Mean	Rank	N	Mean	Rank	N	Mean	Rank	N
Bank Sponsored Joint Ventures	4.333	1	6	4.518	1	533	4.542	1	343	4.556	1	18
UTI	3	3	6	3.869	4	533	3.863	4	343	3.5	3	18
LIC	4	2	6	4.053	2	533	4.102	2	343	4.056	2	18
Private Sector	4	2	6	3.968	3	533	4.088	3	343	2.944	4	18

Source: Field Survey

The Table revealed that, for those in the below 20 age group preference for AMCs were in the order of bank sponsored, LIC and Private sector same rank (2) and UTI. The preference for AMCs for the income groups 20-40 and 40-60 were same as bank sponsored, LIC, private sector and UTI. The age group of above 60 preferences was slightly different as their third choice was UTI followed by private sector.

The data collected from the investors were also cross- tabulated with their monthly income and presented in Table 5.47.

Table 5.47 Preference on Asset Management Companies – Investors' Income wise Analysis

AMCs-Types	Monthly Income(₹)																	
	Below 10,000			10,000 - 20,000			20,000 - 30,000			30,000 - 40,000			40,000 - 50,000			50,000 and above		
	Mean	Rank	N	Mean	Rank	N	Mean	Rank	N	Mean	Rank	N	Mean	Rank	N	Mean	Rank	N
Bank Sponsored Joint Ventures	4.55	1	49	4.7	1	461	4.47	1	202	4.29	1	104	4.03	1	61	3.9	1	23
UTI	3.76	3	49	4	4	461	3.906	4	202	3.61	3	104	3.69	3	61	3.2	4	23
LIC	4.31	2	49	4.2	2	461	4.064	3	202	3.65	2	104	3.74	2	61	3.4	3	23
Private Sector	3.16	4	49	4.2	3	461	4.149	2	202	3.57	4	104	3.44	4	61	3.7	2	23

Source: Field Survey

The Table shows that for the income groups below 10,000, ₹30,000-40,000, ₹40,000-50,000 the order of preference on AMCs were bank sponsored, LIC, UTI and private sector. For the income groups ₹20,000-30,000 and ₹50,000 and above the order of preference were bank sponsored, private sector, LIC and UTI. For the rest the order of preference was bank sponsored, the order of preference was bank sponsored, LIC, private sector and UTI.

From the forgoing analysis, it is clear that the respondents are genuine mutual fund investors because majority of them were investing more than 25 per cent of their investment in mutual funds, they were aware about mutual funds from their friends and relatives or from agents and brokers, they preferred SIP as their investment plan. They know mutual funds are mainly for long term investments. Hence the majority of them were investing more than five years in mutual funds, their important investment objectives were growth and income, so they were investing in open ended funds as well as income funds, equity funds and balanced funds. They were aware about the risk involved in mutual funds, especially investment risk and market risk. Hence there return expectations were medium. They rely on the regular income and capital income characteristics of mutual funds while the investment decision was made and their awareness shape investment decision. It is true because the majority of them preferred bank sponsored and LIC as their Asset management Companies. Thus, the views expressed by the respondents were valid and accepTable as they are based on their experience in mutual fund investment.

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Chapter 6

QUALITIES OF FUND MANAGEMENT AND INVESTMENT DECISIONS

6.1   Qualities of Fund Management

6.2   Statistical Model on Investment Decisions in Mutual Funds.

Investors' mutual fund investment decisions depends on various factors. The qualities of fund management are one among them. A detailed analysis of qualities of fund management and the statistical model with risk perception of investors, investment specific attitude of investors, characteristics of mutual funds and qualities of fund management as explanatory variables and mutual fund investment decisions as the dependent variable are also discussed in this chapter.

6.1. Qualities of Fund Management

Rajeswari T R and Rama Moorthy V E (2001), Tapan K. Panda and Nalini Prava Tripathy (2002) and Kavitha Ranganathan (2006) identified some variables that could influence the investors in their investment decisions of mutual funds. They also grouped these variables into three heads namely fund quality, fund sponsor quality and investor services. For the present study, three more variables were identified under the head investor services namely electronic clearing services, online trading and immediate settlement, after the discussion with experts in the field of mutual fund industry. Reliability was tested and it was found to be 0.856.

In the first stage, to identify which variable is prominent in each of the three groups, Correlation with each sub dimensions was done separately on the three groups. The result thus obtained is explained below.

6.1.1. Fund Quality

Fund quality means the quality of the mutual fund/scheme selected by the investors. Intrinsic fund qualities like fund performance record, fund reputation or brand name, scheme's portfolio of investment, schemes' expense ratio and loads, creditability of image like favorable rating by rating agency, innovativeness of the scheme, flexible investment facility like product with tax benefits, minimum initial investments and withdrawal facilities were the sub variables of fund quality. To identify

which of the sub variable is more important, mean score was computed and ranked based on the magnitude of the rank of each variable. Correlation of the sub variables with the mutual fund quality was done by using Spearman rank coefficient. The result is exhibited in the Table 6.1.

Table 6.1 Analysis of Fund Quality

Statements	Mean score	Rank	Correlation
Fund performance record	4.68	1	0.421**
Fund reputation or brand name	4.33	3	0.352**
Scheme's portfolio of investment	4.21	4	0.515**
Schemes' expense ratio	4.14	5	0.520**
Withdrawal facilities	4.08	6	0.481**
Favorable rating by rating agency	3.96	7	0.494**
Innovativeness of the scheme	3.96	7	0.516**
Product with tax benefits	3.91	8	0.528**
Loads	3.81	9	0.562**
Minimum initial investments	4.35	2	0.449**

** Significant at 0.01 per cent level, Source: Field Survey.

From the Table 6.1 it is clear that investors were more curious about the past performance of the fund (mean score 4.68) followed by the minimum initial investments (mean score 4.35). They were least bothered about the loads of the fund while making investment decisions on mutual funds. Correlation of these sub variables with fund quality was done by using Spearman rank coefficient. This enabled us to identify which sub variable is mostly influencing the fund quality. Correlation with all the sub variables is

found to be highly significant. From the correlation, it is clear that the most influencing variable on fund quality is loads (correlation coefficient 0.562) followed by product with tax benefits (correlation coefficient 0.528).

The investors were giving more importance to the fund performance record. According to the SEBI Master Circular for Mutual Funds dated 11.5.2012, an AMC can charge a maximum of one per cent as exit load. Exit loads are levied to reduce the unnecessary withdrawal from the funds. Product with tax benefits, schemes' expense ratio, innovativeness of the scheme etc. will influence more on the funds quality. But on the practical side, investors were most concerned with fund performance record, initial investments, fund reputation or brand name etc. From the analysis, it is clear that if the AMCs take necessary steps to improve the performance of mutual funds, they can attract more investments.

6.1.2. Fund Sponsor Quality

Fund sponsor quality means the quality of the sponsors' of the mutual fund/scheme selected by the investors. Reputation of the sponsoring firm, sponsor has a recognized brand name; sponsor has a well developed agency network, competent performance like the sponsor's expertise in managing money, the sponsor has a well development research and infrastructure, the sponsors' past performance in terms of managing risk and return were the variables identified under fund sponsor quality. To identify which of the sub variable was more important, mean score was computed and ranked based on the magnitude of the rank of each variable. Correlation of these sub variables with fund sponsor quality was done by using Spearman rank coefficient. This will enable us to identify which sub variable is mostly influence the fund sponsor quality. The result is exhibited in Table 6.2.

Table 6.2 Analysis of Fund Sponsor Quality

Statements	Mean	Rank	Correlation
Reputation of the sponsoring firm	4.4044	1	0.573**
Sponsor has a recognised brand name	4.2644	2	0.595**
Sponsor has a well developed agency network	4.1222	6	0.531**
Sponsor's expertise in managing money	4.1256	5	0.570**
Sponsor has a well developed research and infrastructure	4.1267	4	0.607**
Sponsor's past performance in terms of managing risk and return	4.2256	3	0.622**

** Significant at 0.01 per cent level, Source: Field Survey.

From the Table 6.2, it is clear that investors were looking for reputation of the sponsoring firm (mean 4.4044) followed by recognized brand name of the sponsors (4.2644). Sponsors' past experience in terms of managing risk and return and sponsors' well developed research and infrastructure also influenced the investors while investment decisions were made.

From the correlation, it is clear that sponsors' past experience in terms of managing risk and return has great influence in the fund sponsor quality (correlation coefficient 0.622) followed by sponsor has a well developed research and infrastructure (correlation coefficient 0.607).

Noel Capon, Garan J Fitzmons and Rick Weingarten (1994), Brad M, Barber, Terrance Odean and Lu Zheng(2001) ,Bala Ramasamy and Matthew C. H. Yeung (2003) and Ronald T.Wilcox (2003) found that the past performance of the sponsors in terms of managing risk and

return had significant influence in investment decision. The present study also revealed the same result. On the practical side, investors will give first importance to the reputation and then brand name of the sponsoring firm.

6.1.3. Investor Services

Investor Services are the services provided by the AMCs to the investors. Disclosure of investment objectives, methods and periodicity of valuation, disclosure of the method and periodicity of the schemes' sale and repurchase in Statement of Additional Information and scheme Offer Document, disclosure of NAV on every trading day, disclosure of deviation from the original pattern, disclosure of the scheme's investments on every trading day, investors' redressal machinery, fringe benefits like free insurance, free credit card, loans on collateral, tax benefits etc, Any Time Mutual Fund(ATMF), Electronic Clearing Services(ECS), Online Trading, immediate settlement were the variables under investor services. To identify which of the sub variable is more important, mean score was computed and ranked based on the magnitude of the rank of each variable. Correlation of these sub variables with investor services was done by using Spearman rank coefficient. This will enable us to identify which sub variable is mostly influencing the investor services. The result is exhibited in the Table 6.3.

Table 6.3 Analysis of Investor Services

Statements	Mean Score	Rank	Correlation
Disclosure of investment objectives, methods and periodicity of valuation	4.1044	2	0.295**
Disclosure of the method and periodicity of the schemes' sale and repurchase in statement of additional information and scheme offer Document	4.1489	1	0.471**
Disclosure of NAV on every trading day	4.0644	3	0.540**
Disclosure of deviation from the original pattern	3.9944	4	0.598**
Disclosure of scheme's investments on every trading day	3.8333	9	0.513**
Investors' redressal machinery	3.8278	10	0.515**
Fringe benefits like free insurance, free credit card, loans on collateral, tax benefits etc	3.8767	8	0.537**
Any Time Mutual Fund(ATMF)	3.9333	7	0.609**
Electronic Clearing Services(ECS)	3.9589	5	0.647**
Online Trading	3.9578	6	0.683**
Immediate Settlement	3.8244	11	0.765**

** Significant at 0.01 per cent level, Source: Field Survey.

From the Table, it is clear that investors were giving importance to transparency because they were providing first for ranks to disclosure norms like disclosure of the method and periodicity of the schemes' sale and repurchase in statement of additional information and scheme offer document (mean score 4.1489), disclosure of investment objectives, methods and periodicity of valuation (mean score 4.1044), disclosure of NAV on every trading day (mean score 4.0644) and disclosure of deviation

from the original pattern (mean score 3.9944).Electronic clearing services and online trading is also influencing their investment decisions. From the Table, it is also clear that immediate settlement is the most influencing variable on investor services (correlation coefficient 0.765) followed by online trading (correlation coefficient 0.683), electronic clearing services (correlation coefficient 0.647) and ant time mutual fund (correlation coefficient 0.609). So AMCs should give importance to go in hand with modern technology.

In order to know the relation between with its sub dimension, correlation was carried out and the result is exhibited in the Table 6.4.

Table 6.4 Correlation of Qualities of Fund Management with Sub Dimensions

Sub Dimensions	Correlation
Fund Quality	0.814**
Fund Sponsor Quality	0.689**
Investor Services	0.869**

** Significant at 0.01 levels;

From the Table 6.4, it is clear that Investor Services (correlation coefficient 0.869) is the most influencing quality of fund management followed by fund quality (correlation coefficient 0.814). So if the AMCs can provide better investor services, they can attract more investments in mutual funds.

6.1.4 Qualities of Fund Management

In order to establish the relationship between qualities of fund management and investment decisions, total scores were calculated by adding the scores of the corresponding statements in each dimensions and that scores

were used for analysis. Simple regression analysis was carried out to establish the influence of qualities of fund management on investment decisions, the result thus obtained is exhibited in Table 6.5.

Table 6.5 Qualities of Fund Management and Investment Decisions in Mutual Funds – Regression Analysis

Independent Variable	Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Qualities of Fund Management	.029	.000	.984	167.963[**]	.000
Adjusted R^2 = 0.965					

**significant at 0.01 level.

From the regression analysis (Table 6.5), it is clear that investment decisions of investors is very much influenced by qualities of fund management as the result is significant at one per cent level. The Standardised regression coefficient of qualities of fund management is 0.984 and adjusted R^2 is 0.965.Hence, the result proves and support the fifth hypothesis stated as:

H5.   *There exists a positive relationship between qualities of fund management and investment decisions.*

6.2 Statistical Model of Investment Decisions in Mutual Funds

From the forgoing analysis in the chapter 4, chapter 5 and the present chapter, it is clear that the investment decisions of investors is significantly influenced by their risk perceptions, investment specific attitudes, characteristics of mutual funds, and qualities of fund management.

To know the most influencing factors on investment decision, multiple regression analysis was done with investment decision as dependent variable

and risk perception of investors, investment specific attitudes of investors, characteristics of mutual funds and qualities of fund management as independent variables. The result of multiple regression analysis is presented in Table 6.6.

Table 6.6 Relationships between Risk Perception of Investors, Characteristics of Mutual Funds, Investment Specific Attitudes of Investors, Qualities of Fund Management and Investment Decisions in Mutual Funds - Results of Regression Analysis

Independent variables	Coefficeint		Standardized Coefficients (Beta)	t	Sig.
	B	Std. Error			
Risk Perception of Investors	0.074	0.009	0.792	8.176**	0.000
Characteristics of Mutual Funds	0.041	0.012	0.432	3.393**	0.001
Investment Specific Attitudes of Investors	0.013	0.005	0.381	2.788**	0.005
Qualities of Fund Management	0.019	0.004	0.659	4.995**	0.000
Adjusted R^2 = 0.898					

** Significant at 0.01 per cent level, Source: Field Survey.

Hence the final statistical model with standardized regression coefficient of the significant variables is given below.

$$id = 0.792rpi + 0.432cmf + 0.381isa + 0.659qfm$$

Where ***id*** – Standardised Value of Investment Decisions

rpi – risk perception of investors

cmf - characteristics of mutual funds

isa - investment specific attitudes of investors

qfm – qualities of fund management

The most influencing factors on investment decisions from the equation, by virtue of the coefficient value, and also the significance which

is revealed from the analysis is the *risk perception of investors* followed by *qualities of fund management*. As evident from the Table 6.6 coefficients corresponding to these two dimensions are highly significant at 0.01 levels.

It is clear from the forgoing discussion that the driving forces of mutual fund investment decisions are risk perception of investors, characteristics of mutual funds, investment specific attitudes of investors and qualities of fund management. Hence, by providing innovative schemes which are suiTable to the investors' risk perception and improving the qualities of fund management, creating awareness on mutual funds and educating the investors on the benefits of holding mutual funds on the long run, the AMCs can attract more amounts of investments in mutual funds.

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Chapter 7

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1. *Findings of the Study*

7.2. *Suggestions*

7.3. *Conclusion*

7.4. *Scope for Further Research*

The present study is based on the data and other information collected from 900 individual mutual fund investors, drawing 300 each from Thiruvananthapuram, Emakulam and Kozhikode districts in Kerala. This chapter provides a summary of major findings of the study, suggestions and conclusion.

7.1. Findings of the Study

7.1.1 Profile of the Respondents

7.1.1.1. Out of the 900 respondents, 739 (82.10 per cent) are male and 161(17.90 per cent) are female. Generally it is seen that investors in the financial markets are dominated by men. In the present study also, the majority of the respondents are male.

7.1.1.2. The marital status wise classification of the respondents shows that out of the 900 investors, 777 (86.3 per cent) are married and 123 (13.7 per cent) are single. Thus, the majority of the investors covered under the study are married people. It reveals that usually, after marriage, people are very much conscious about their savings and investments.

7.1.1.3. Age wise classification of the respondents covered under the study shows that only 6 (0.7per cent) are in the age group below 20, 533 (59.2 per cent) are in the age group of 20-40, 343 (38.1 per cent) are in the age group of 40-60 and 18 (2 per cent) are in the age group of 60 and above. So, majority of the investors covered under the study belong to younger age groups i.e. 20-40.

7.1.1.4. The 900 investors covered here include, 198 (22 per cent) from rural area, 291 (32.3 per cent) from semi- urban area and the rest 411(45.7 per cent) from urban area. Thus, the majority of the investors covered are residing in the urban area. It is due to the fact that people living in the

urban area are more aware of various financial investment avenues, especially mutual funds, than the people in the semi- urban and rural areas.

7.1.1.5. The educational qualification wise classification of 900 investors shows that, 25 (2.8 per cent) have passed their X standard; 111 (12.3 per cent) have passed plus two level education; 104 (11.6 per cent) have passed their diploma/technical education; 214 (23.8 per cent) have degrees; 398 (44.2 per cent) have passed post-graduation and 48 (5.3 per cent) have acquired professional qualifications, such as medical degree (20), CA/ICWA/ACS Graduates(15), and MCAs (13). Thus, the majority, 660 (73.33 per cent), of the respondent covered under the study having graduation and higher levels of educational qualifications.

7.1.1.6. On the basis of the occupation of the respondents, 365 (40.6 per cent) are private employees, 282 (31.3 per cent) are business/professionals, 198 (22 per cent) are government employees, 16 (1.8 per cent) are engaged in agricultural activities, 15 (1.7per cent) are house wives, 24 (2.7per cent) are engaged in others occupations. Thus, it shows that the majority of the respondents, 563 (62.6 per cent) are employees. The professionals and business people, 31.3 per cent, are the next major group covered under the study. The employees, professionals, and business people are more conscious about their future and they save more than others.

7.1.1.7. The classification of the respondents based on their income shows that, 49 (5.4 per cent) are having monthly income below ₹ 10,000, 461 (51.2 per cent) are belonging to ₹10,000-₹ 20,000, 202(22.4 per cent) are in the income group of ₹20,000-₹30,000, 104 (11.6 per cent) are in the income group of ₹30,000-₹40,000, 61(6.8 per cent) are in the income group of ₹ 40,000-₹50,000, and 23(2.6 per cent) are in the income group of ₹50,000 and above. It shows that the majority of the respondents (85.2 per cent) have monthly income between ₹10,000 – 40,000, because the majority of the respondents covered under the study are employees.

7.1.2. Savings of Investors

7.1.2.1. Savings of the Investors

Out of 900 investors, 466 (51.8 per cent) investors are saving 20 per cent and above of their annual income, 164 (18.2 per cent) investors are saving 15 -20 per cent of their annual income, 118 (13.1per cent) investors are saving 5 -10 per cent of their annual income, 117 (13 per cent) investors are saving 10 -15 per cent of their annual income and 35(3.9 per cent) are saving only below 5 per cent of their annual income. So, from the analysis it is clear that the majority of the investors (51.8 per cent) are saving 20 per cent and above from their annual income. The percentage of savings to annual income is also analysed based on their gender, age and income and it reveals that the majority of the respondents save more than 20 per cent of their annual income. Chi-square test was also used to know the association of gender, age and income of investors and the percentage of savings, the result were significant at one per cent level.

7.1.2.2. Objectives of Savings

The analysis of objectives of savings of respondents revealed that the most important objective is house construction (the weighted mean score is 6.611). Similarly the other objectives are ranked in the order of the mean score. Accumulation of fund is the second objective, marriage of children and education of children follow the third and fourth objectives respectively. Purchasing of assets is their fifth objective. Meeting contingencies, tax savings and provision for retirement life are sixth, seventh and eight objectives respectively. The saving objectives were also cross- tabulated with age, gender and income. Chi-square test was also used to know the association of gender, age and income of investors and the objectives of savings; the results were non significant at one per cent level. It is clear

from the analysis, irrespective of gender, age and income all the mutual fund investors have almost the same saving objectives.

7.1.3. Investment Avenues and Investment Decisions

7.1.3.1. Awareness on Investment Avenues

From the analysis (Table 4.10), it is clear that the awareness of mutual fund investors among various investment avenues vary. They were mostly aware about bank deposits, followed by life insurance, chits, mutual funds, gold and stones, shares, postal deposits, real estate, bonds and debentures, pension and PF, small savings of government, company deposits and arts fund. From this, it is clear that, the mutual fund investors' awareness on mutual funds is only in the fourth position.

7.1.3.2. Preference of Investment Avenues

Investors' choice of an investment avenue usually depends on their preference. The data analysis based on the ranks assigned by the respondents according to their preference of investment avenues, revealed that the most preferred investment avenue is bank deposits, followed by life insurance. Investments in mutual funds came in the third position (Table 4.11).

The association of preference on investment avenues based on selected demographic variables like their gender (Table 4.12), age (Table 4.13) and income (Table 4.14) were found to be significant at one per cent level. The data analysed with the help of Wilcoxon Signed Rank Test for gender wise analysis at one per cent level of significance and Friedman Repeated Measures on Ranks Test for age and income at one per cent level of significance to test the association of gender, age and income of investors and their preference on various investment avenues, supported and proved the first hypothesis formulated for the study.

H1. There exists significant association between demographic variables of investors and their preferences for various avenues of investments.

7.1.3.3. Source of Influence on Investment Decisions

From the analysis of data (Table4.15), it can be noted that out of 900 mutual fund investors, 13.1 per cent they take their own decision. But 15.4 percent are taking assistance from family members, 58.8 percent are taking assistance from financial consultants and 12.7 per cent from friends and relatives. The source of influence on investment decisions were also cross-tabulated with age, gender and income (Table4-16 – Table 4.18). It can be concluded that the majority of mutual fund investors are prudent investors. Therefore, they take assistance from financial consultants. Chi-square test was also used to know the association of gender, age and income of investors and source of influence on investment decisions, the results were significant at one per cent level.

7.1.4. Risk Tolerance of Investors

From the analysis on the risk tolerance level of mutual fund investors, it is clear that out of the 900 mutual fund investors, majority (53.1 per cent) have high risk tolerance level, 43.1 per cent have moderate risk tolerance and 3.8 per cent have only low risk tolerance level. The gender wise (Table 4.19) cross tabulation reveals that male respondents have more risk tolerance than female respondents. Besides that, the majority of female respondents have moderate risk tolerance level. The age wise analysis (Table 4.20) reveals that except the age group of 60 and above all other age groups have high risk tolerance and among them, the middle age groups (40-60) have high risk tolerance (54.8 per cent). Older people (age group of 60 and above) usually take less risk. The income wise analysis (Table 4.21) shows that except in the case of the respondents in the income group below ₹ 10, 000, all others have high risk tolerance. No

respondents in the income group of ₹ 50,000 and above have low risk tolerance; this may be because higher income groups have the capacity to take higher levels of risk tolerance. Chi-square test was also used to know the associations of gender, age and income of investors and the risk tolerance, the results were significant at one per cent level. It is clear from the analysis that gender; age and income of the mutual fund investors have significant influence on risk tolerance.

7.1.5. Risk Perception of Investors

From the analysis, it is clear that a diversified portfolio reduces risk is ranked first (Mean Value 4.48) followed by the higher an investments' yield or rate of return, the greater is its associated risk (Mean Value 4.08).

7.1.6. Influence of Risk Perception of Investors on Investment Decisions in Mutual Funds

From the regression analysis (Table 4.23), it is clear that investment decisions of investors is very much influenced by their risk perception of investors as the result is significant at one per cent level. The Standardised regression coefficient for risk perception is 0.978 and adjusted R^2 is 0.957. Hence, the result supported and proved the second hypothesis formulated as:

H2. There exists a positive relationship between risk perception of investors and investment decisions.

7.1.7. Investments in Mutual Funds

7.1.7.1. Amount of Investments in Mutual Funds

From Table 5.1, it is clear that, out of the 900 investors, 18.4 per cent respondents are investing less than 25 per cent, 15 per cent of the respondents are investing 25-50 per cent, 14.8 per cent are investing in between 50-75 per cent and 51.8 per cent is investing in between 75-100 per cent of their total financial investments in mutual funds. So,

majority of the respondents 734 (81.56 per cent) are investing more than 25 per cent of their total investments in mutual funds. To test whether there exists any significant difference between gender and amount of investments in mutual funds, Pearson chi-square test was conducted. The test revealed that there exists significant difference between gender(Table 5.2) and amount of investments in mutual funds. From the age wise analysis, (Table 5.3) it can be concluded that the investment shows an increasing trend as the age increases till the retirement or the age of 60, and thereafter it shows decreasing trend. To verify this trend that is seen in the sample is significant, chi-square test was conducted and which is significant at 1 per cent level. From the Table it can be concluded that this type of dependency or increasing trend exist in the population also. From the income wise analysis(Table 5.4), it is clear that the majority of investors are investing more than 25 per cent of their funds in mutual funds, especially, the ₹10,000-20,000 income groups. Mutual Funds are mainly catering the needs of middle income groups. So they invest more in mutual funds. To verify whether there exists any significant association between income and mutual fund investments chi-square test was conducted and which is significant at 1 per cent level.

7.1.7.2. Source of information about Mutual Funds

The analysis (Table 5.5) revealed that the important sources of information are friends and relatives as the mean is 4.951 and is maximum. Similarly the other sources are ranked in the order of their mean score. Agents and Brokers are ranked second, print media and Broad caste media follow with the third and fourth rank. Outdoor media and Electronic media got fifth and sixth rank. The sources of information were also analysed based on the gender, age and income of the respondents and they revealed that the three important sources of information were friends and relatives, agents and brokers and print media.

7.1.7.3. Periodical Investment Plan

Out of 900 investors, the majority (50.9 per cent) selected SIP and another 28.8 percent selected both SIP and lump sum and the remaining 20.3 percent select lump sum (Table 5.6). This may be due to the fact that investors were cautious about the rupee averaging principle or the time value of money. From the analysis, it is clear that the majority of the respondents were regular mutual funds investors. Periodical Saving Plan were also analysed based on the gender, age and income of the respondents and it revealed that majority of them preferred SIP (Tables 5.7, 5.8, 5.9). Chi square test was also used to know the association between gender, age and income of investors and the periodic saving plan, except for age, the results were significant.

7.1.7.4. Duration of Investments in Mutual Funds

The analysis (Table 5.10)   revealed that among the respondents only 4.9 per cent invest for a period less than 3 years, 27.3 percent has preferred to investment for period of 3-5 years, the per cent of respondents who like to invest a period of 5-10 years is 36.9. A 27.5 percent of the respondents like to invest for a longer period of 10-15 years and the remaining 3.5 percent invest for the longest period of 15 years or more. The duration of investments in mutual funds were also analysed based on the gender, age and income of the respondents and it revealed that the majority of them preferred more than 5 years duration of investments in mutual funds (Tables 5.11 to 5.13). It is clear that the majority of the investors were aware that mutual funds are for long term investment.

7.1.7.5. Objectives of Investment in Mutual Funds

From the Table 5.14, it is clear that the objectives of investing in MFs were in the order growth and income, Preservation of principal, current income, Conservative Growth, Tax benefits and Aggressive

growth. Mutual fund investment objectives were also analysed based on the gender, age and income of the respondents and it revealed that the three important objectives were preservation of principal, current income and growth and income (Tables 5.15 to 5.17). Ranking of male and female was in perfect agreement. The Friedman Repeated Measures on Ranks on age shows there were no association between age and mutual fund investment objectives. The Friedman Test on Ranks on income shows there were no significant association between monthly income and mutual fund investment objectives.

7.1.7.6. Preference of Types of Mutual Funds

The analysis (Table 5.18) revealed that the order of preference of mutual fund types were open –ended, close-ended and interval fund. Preference of mutual fund types were also analysed based on the gender, age and income of the respondents (Tables 5.19 to 5.21) and it revealed that the order of preference was somewhat the same across the demographic variables except for the age group below 20.

7.1.7.8. Preference of Schemes of Mutual Funds

The analysis of preference of mutual fund schemes by investors (Tables 5.22) revealed that their first preference was equity schemes. The second and third preferences were income schemes and money market/liquid schemes. From this, it is clear that the investors were choosing mutual fund schemes according to their first three investment objectives as growth and income, preservation of principal and current income. Wilcoxon Signed Rank Test and Friedman Repeated Measures on Ranks Test at five per cent level of significance to test the association of gender, age and income of investors and their preference on mutual fund schemes were found to be non significant(Tables 5.23to 5.25).

7.1.7.8. Awareness on Risk in Investments in Mutual Funds

From the analysis (Table 5.26), it is clear that awareness on mutual funds risk among investors were in the order of investment risk, market risk, interest rate risk, liquidity risk, credit risk, and change in government policy and inflation risk. To cross check whether this order of awareness would follow gender wise, age wise and monthly income wise analysis were conducted. To find whether there existed any significant difference among males and females in the awareness on saving avenue conducted the Normal (Z test) test (Table 5.27). Except in case of credit risk, inflation risk and change in the government policy, there existed a significant difference in the awareness on mutual fund investment risks among male and female. In fact the awareness about mutual fund investment risks among male is more than that of the female. Overall awareness was done by adding the scores of the all the risk. Comparison of the overall awareness also reveals that males have a higher awareness compared to females. In case of the age wise analysis(Tables 5.28), from the results of ANOVA, it is clear that there is no significant difference in the awareness on various mutual fund investment risks among different age group except in case of interest rate risk (p=0) and investment risk (p=0.021). To test whether there exists any significant difference in the awareness among different income groups and investment risks, ANOVA test were conducted (Tables 5.29). Results of ANOVA shows that except in the case of market risk and change in the government policy, there exists significant difference between various income groups.

7.1.7.9. Return Expectation

The analysis reveals that (Table 5.30) majority of the respondents (59.6 per cent) expect medium or high returns (38.9 per cent). To know whether there exist any relationship between gender, age and income and return expectation, chi-square test was conducted (Tables 5.31to 5.33). The

chi-square result shows that there exists a significant relationship between income and return expectation only (p<.001).

7.1.7.10. Modes of Withdrawal

From the analysis (Table 5.34), it is understood that about 52.1 per cent investors will withdraw immediately, 13.1 percent investors will wait for a few days and another 17.3 per cent investors will wait for few months. The remaining 17.3 per cent investors will purchase other mutual fund schemes. To test whether such a trend is showing cross tabulate with gender, age and income tests were conducted (Tables 5.35 to 5.37).

7.1.8. Influence of Characteristics of Mutual Funds on Investment Decisions

The features or characteristics of financial products to a great extent influence the investment decisions. The attractive features of mutual funds are regular income, capital appreciation, liquidity of investment, safety of investment, professional management, flexibility, diversification benefits and tax benefits. Investors were asked to rate the characteristics of mutual funds on a five point Likert scale. Based on the response of the investors mean and standard deviations were calculated. Based on the mean, ranks were assigned to each characteristic. From the analysis of the data presented in the Table 5.38, it is understood that the first factor that shapes the preference of the investors in favor of mutual fund was Safety followed by Regular Income, Capital Appreciation, Liquidity, Professional Management, Flexibility, Diversification Benefits and Tax Benefits.

From the correlation Table 5.39 the most influencing characteristics of mutual funds on investment decisions is regular income followed by safety as the result is found to be significant at one per cent level.

From the regression analysis (Table 5.40), it is clear that investment decisions of investors is very much influenced by characteristics of mutual funds as the result is significant at one per cent level. The Standardised regression coefficient for characteristics of mutual funds is 0.982 and adjusted R^2 is 0.964. Hence, the result proves and support the third hypothesis stated as:

H3. There exists a positive relationship between characteristics of mutual funds and investment decisions.

7.1.9 Influence of Investment Specific Attitudes of Investors on Investment Decision

The most important factors used to assess the investment specific attitude of investors include their awareness on mutual funds, confidence, investment horizon, risk attitude, personalisation of loss and investment control. In order to know the relation between investment specific attitudes and investment decisions, total scores were calculated by adding the scores of the corresponding statements in each dimensions and that scores were used for analysis (Table 5.41).

From the Table 5.42, it is clear that confidence of investors (correlation coefficient 0.909) is the most influencing characteristics of investment specific attitudes followed by risk attitude (correlation coefficient 0.768). So if the AMCs can build confidence among the investors, they can attract more investments in mutual funds.

From the regression analysis (Table 5.43), it is clear that investment decisions of investors is very much influenced by investment specific attitudes as the result is significant at one per cent level. The Standardised regression coefficient for investment specific attitudes is 0.982 and adjusted R^2 is 0.965. Hence, the result proves and support the fourth hypothesis formulated as:

*H4.   **There exists a positive relationship between the investment specific***
attitudes of investors and investment decisions.

7.1.10. Preference on Asset Management Companies

From the analysis (Table 5.44), it is understood that the first preference on AMCs by investors was bank sponsored joint ventures followed by LIC, private sector and UTI. From this it can be concluded that even today, in the era of liberalisation, privatisation and globalisation, the banking sector has won investors' confidence. The gender, age and income wise analysis has also revealed that the bank sponsored AMCs have won investors' confidence (Tables 5.45 to 5.47).

7.1.11. Qualities of Fund Management

Fund quality, fund sponsor quality and investor services are the three qualities of fund management. In the first stage, to identify which variable is prominent in each of the three groups, correlation with each sub dimensions was done separately on the three groups.

7.1.11.1. Fund Quality

The investors were giving more importance to the fund performance record. Actually, the quality of the fund management is more influenced by the loads (correlation 0.562). According to the SEBI Master Circular for Mutual Funds dated 11.5.2012, an AMC can charge a maximum of one per cent as exit load. Exit loads are levied to reduce the unnecessary withdrawal from the funds. Product with tax benefits (correlation 0.528), schemes' expense ratio (correlation 0.520), innovativeness of the scheme (correlation 0.516) etc. will influence more on the funds quality. But in the practical side, investors were most concerned with fund performance record, initial investments, fund reputation or brand name, schemes portfolio investments respectively as first, second, third and fourth

factors(Table 6.1). So, AMCs should concentrate on all these factors to improve the fund quality.

7.1.11.2. Fund Sponsor Quality

Noel Capon, Garan J Fitzmons and Rick Weingarten (1994), Brad M .Barber, Terrance Odean and Lu Zheng(2001) ,Bala Ramasamy and Matthew C. H. Yeung (2003) and Ronald T.Wilcox (2003) found out that the past performance of the sponsors in terms of managing risk and return had significant influence in investment decision. The present study also revealed the same result (Table 6.2). In the practical side, every investor gives utmost importance to the reputation (Mean Value 4.404) and then the brand name of the sponsoring firm (Mean Value 4.2644).

7.1.11.3. Investor Services

From the Table 6.3, it is clear that investors were giving importance to transparency because they were providing first four ranks to disclosure norms like disclosure of the method and periodicity of the schemes' sale and repurchase in statement of additional information and scheme offer document (mean score 4.1489), disclosure of investment objectives, methods and periodicity of valuation (mean score 4.1044), disclosure of NAV on every trading day (mean score 4.0644) and disclosure of deviation from the original pattern (mean score 3.9944). It is also clear that immediate settlement is the most influencing variable (correlation value 0.765) on investor services followed by online trading (correlation value 0.683), electronic clearing services (correlation value 0. 647) and any time mutual fund (correlation value 0.609). So AMCs should give importance to go hand in hand with modern technology.

From the Table 6.4, it is clear that Investor Services (correlation coefficient 0.869) is the most influencing quality of fund management followed by fund quality (correlation coefficient 0.814). So if the AMCs

can provide better investor services, they can attract more investments in mutual funds.

7.1.11.4. Qualities of Fund Management

In order to know the relation between qualities of fund management and investment decisions, total scores were calculated by adding the scores of the corresponding statements in each dimensions and that scores were used for analysis.

From the regression analysis (Table 6.5), it is clear that investment decisions of investors is very much influenced by qualities of fund management as the result is significant at one per cent level. The Standardised regression coefficient of qualities of fund management is 0.984 and adjusted R^2 is 0.965.Hence, the result proves and support the fifth hypothesis stated as:

H5. There exists a positive relationship between qualities of fund management and investment decisions.

7.1.12. Statistical Model on Investment Decisions in Mutual Funds

The analysis of data and findings thereof (Table 4.23, Table5.40, Table 5.43 and Table 6.5)clearly indicates that the investment decisions with regard to mutual funds is significantly influenced by a group of driving forces such as risk perception of investors, characteristics of mutual funds, investment specific attitudes of investors and qualities of fund management.

To know the most influencing factors on investment decision, multiple regression analysis was done with investment decision as dependent variable and risk perception of investors, characteristics of mutual funds, investment specific attitudes of investors and qualities of fund management as independent variables (Table 6.6).

The final model with standardized regression coefficient of the significant variables is:

$$id = 0.792rpi + 0.432cmf + 0.381isa + 0.659qfm$$

Where *id* – Investment Decisions, rpi – risk perception of investors, *cmf*-characteristics of mutual funds, *isa*- investment specific attitudes of investors and *qfm* – qualities of fund management.

The most influencing factors from the equation, by virtue of the coefficient value, and also the significance which is revealed that risk *perception of investors* followed by *qualities of fund management*. As evident from the Table 6.6 coefficients corresponding to these two dimensions are highly significant at 0.01 levels.

7.2. Suggestions

Based on the findings of the study, the following suggestions are made:

7.2.1. The investment decision of investors is very much influenced by financial consultants. Hence, these agencies or persons should gear up to win the confidence of the investors. In the long run, it will help both the investors and the financial consultants, thus strengthening the link between the individual investors and Mutual Funds. Financial firms have a responsibility to be crystal clear about how their interests are aligned with those of their clients, and should be transparent about the fees and risks associated with the products they sell.

7.2.2. The asset management companies must spread financial literacy among investors, which will inevitably lead to increased penetration of their products. Awareness campaigns and education drives should be more regularly undertaken. AMCs/AMFI/Sponsors should develop investor

education literature specially tailored to suit the regional needs to create/ increase the awareness level of investors.

7.2.3. Asset Management Companies need to introduce a new range of offerings in the market in order to attract investments. The new age investor today looks for returns higher than the traditional bank deposits. Fund houses should be encouraged to design products to suit investor requirements of a higher return and with better diversification of risk.

7.2.4. The middle and lower income group investors prefer to invest on a regular basis. So it is advisable that AMCs should provide the regular investment options like SIP, SWP. etc. The AMCs should allow switching options and also provide greater flexibility and diversification benefits to the investors.

7.2.5. Exchange Traded Funds should be given a boost and brought into increased focus for the investor. Gold ETFs serve as a good investment option in times of market volatility. These products prove to be a viable solution for risk averse investors, without diluting the urge to have the physical asset.

7.2.6. Even among the investors who invest in mutual funds are unclear about how they function and how to manage them. So proper information must be provided to the investors in order to increase the loyalty among the investors.

7.2.7. Optimum operating efficiencies need to exist in asset management companies, and for this, cost containment measures need to be undertaken by them. Outsourcing could be looked upon as a possible measure to reduce costs, provided the risks emanating from this are better managed.

7.2.8. The mutual fund companies should launch products with minimum initial investments. The investors are interested with those mutual funds

with minimum amount of investments. They are also interested to know where their funds are invested. So, it is advisable that the mutual fund companies disclose the portfolio of investments of the particular funds launched by them.

7.2.9. Investors are influenced by the infrastructural facilities of the sponsor and the reputation enjoyed by the sponsor, in their mutual fund investment decisions. Hence, AMCs should take steps to develop their infrastructure facilities. AMCs should note that investment in the development agency network, research and introduction of technology in money management, will capture a segment of investors. Further, establishing a brand name and building up a reputation will also attract one segment of investors.

7.2.10. Fund houses need to assign an increased budget for investment in technology, which will help them streamline their distribution networks and increase efficiencies in their business. Use of technology, is a must to come up with a feasible cost-benefit business model and participate in financial inclusion, more effectively.

7.2.11. When the entire stock market declines in value, the value of mutual fund units will go down as well. Therefore, the retail investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their own. With the sTable and growing capital market trend it is possible to stabilize and thus the risks in the investment of mutual funds could be reduced.

7.2.12. The selling of mutual funds does not have a specific set of regulations outlined to follow. Measures should be initiated to avoid misselling of products, with guidelines communicated to all distributors, whether they are banks or distribution houses. Also AMFI serve as a

regulator of distributors because mutual funds complain of poor distributor regulation as the biggest challenge to the industry.

7.2.13. It was observed that a large number of investors' complaints and grievances regarding the mutual fund schemes are not properly resolved. Therefore, it is recommended that mutual fund organisations should be careful enough in resolving the grievance of the investors.

7.2.14. Management fee is the minimum fee charged by the AMC for floating different investment schemes. The investors opine that private sector MF companies charge more fees compared to that of other MF companies and thus there is dissatisfaction regarding this factor among the private sector investors. Hence, fund manager of the private sectors should concentrate on this aspect and try to come up to the expectations of the investors and maintain the costs at low level similar to that of other MFs.

7.2.15. The asset management industry must take necessary steps to strengthen distribution, with a focus on inclusive growth, considering that the challenges faced to capture the market beyond Tier 1 and Tier 2 cities, would be somewhat similar.

7.2.16. Further, investors are influenced by the extent and quality of disclosure of information subsequent to their investment regarding disclosure of NAV, portfolio of investment and disclosure of deviation of investment from the stated objectives and attached fringe benefits to the scheme in their selection of the scheme. Hence, AMCs should take steps to be as transparent as possible and follow the disclosure norms spelt out by SEBI and AMFI in this connection. AMCs also must provide investor services like speedy settlement, online trading and electronic clearing services, to attract more mutual fund investments.

7.2.17. There is a need for Indian MFs to come out with innovative products that cater to the ever changing customer requirements. Diversified

products will keep the present momentum going for the industry in a more competitive and efficient manner. Further, MFs have to compete with bank deposits and government securities for their share of consumer savings. Thus, in order to make MFs more accepTable to the retail investors, the MF would have to mature to offering comprehensive life cycle financial planning and not products alone.

7.2.18. As penetration level is less, great scope exists for the growth of mutual funds in India. Mutual funds have to compete with bank deposits and government securities for a share of consumer savings. This requires the regulator and the AMC to increase the credibility of MFs and develop a trust among the average retail investors.

7.2.19. SEBI should increase accountability among different players by giving the Board of Trustees the right to choose a fund manager of their own choice. This will make them more accounTable and aware as to what the AMC is doing; benchmark the performance of funds with peers as well as with specific indices, restriction on who can be appointed as sub-brokers, implementation of international accounting principles across the mutual fund industry will help promote fairness and stability of the sector. Development of AMFI as a SRO (Self-Regulatory Organisation) will reduce the regulatory burden on SEBI. Most of the developed countries have SROs that publish monthly disclosures of important MF related figures, and enforce a model code of conduct.

7.2.20. AMFI should insist on the regulatory requirements that require mutual funds to segregate large and small investors. This would enable retail investors to pay expenses that are irrelevant to their investments and turnover rates.

7.2.21. Make fund managers accounTable to unit holders. Organising Annual General Meetings of unit holders where performance of the fund

would be reviewed. Mutual fund companies should dispatch their annual report in time to their investors so that the investors are informed about the company's financial position. This will help the investors to know the status of their investment.

7.2.22. Lack of professional management of funds is one of the main factors discouraging investment in mutual funds. Professionals with a good background and record should be appointed to manage mutual funds. This will help to boost the investors' confidence, which in turn will encourage investors to save in mutual funds.

7.2.23. Mutual Fund Company needs to give training to the Individual Financial Advisors about the Fund/Scheme and its objective, because they are the main source to influence the investors. Before making any investment, Financial Advisors should first enquire about the risk tolerance of the investors/customers and their need and time (how long they want to invest). By considering these three things they can take the investors into consideration.

7.2.24. Securities and Exchange Board of India have to review the guidelines in regulating the operations and marketing of mutual funds from time to time, keeping in view, and the changing trends in the financial markets. There should be proper liaison between SEBI and IRDA with regard to the ELSS schemes of the Mutual Fund Agencies.

7.2.25. Financial goals vary, based on Investors age, lifestyle, financial independence, family commitment and level of income and expenses among many other factors. Therefore, it is necessary for Mutual Funds Companies to assess the investor's need.

7.2.26. Mutual fund companies should come forward with full support for the investors in terms of advisory services, participation of investor in portfolio design, ensure full disclosure of related information to invest or,

proper consultancy should be given by mutual fund companies to the investors in understanding terms and conditions of different mutual fund schemes, such types of fund designing that will ensure to satisfy needs of investors should be promoted.

7.2.27. Mutual fund investors should choose the right mutual fund scheme which suits their requirements. The offer document of the mutual fund scheme should be thoroughly read and scrutinized. Some factors to evaluate before choosing a particular Mutual Fund are the track record of the performance of the fund over the last few years in relation to the appropriate yardstick and similar funds in the same category. Other factors could be the portfolio allocation, the dividend yield and the degree of transparency as reflected in the frequency and quality of their communications.

7.2.28. Investing in one mutual fund scheme may not meet all the investment needs of an investor. They should consider investing in a combination of schemes to achieve their specific goals. It is suggested that the investors should not consider only one or two factors for investing in mutual fund but they should consider other factors such as higher return, degree of transparency, efficient service, fund management and reputation of mutual fund in selection of mutual funds.

7.2.29. Investors must look for past returns, dividend etc. the mutual fund has declared. If the investors have chosen equity or stock market related mutual fund, then they may go for SIP (Systematic Investment Plan) method of investment.

7.2.30. There are some more suggestions for better investing for investors that they should keep their investment for a long time keeping in mind the level of risk involved and saving pattern. They should take the help of private financial consultants' to have investment portfolio, so as to reduce risk in investment; they should not invest in high volatile funds, they

should collect all possible information before investment. Periodical review should be done for investment and risk analysis should be done regularly and properly, maintain proper records for each transaction. A careful and reasonable diversification of investment in mutual fund should also be on the investor's part to balance the risk involved in investment. It is also suggested that the investors should have habit of saving regularly to earn some extra money consistently through changing market scenario since small savings will grow into bigger capital base. One of the strong suggestions is to invest a reasonable part of savings into liquid security so as to meet any contingency.

7.3. Conclusion

The present study endeavored to bring out the driving forces, such as risk perception of investors; investment specific attitudes of investors; characteristics of mutual funds; and qualities of fund management, behind individuals' investment decisions. There is a need for the mutual fund companies in India to have a thorough understanding of these driving forces and that should be given due consideration at the time of the design and the development of schemes of investments in mutual funds. It is highly necessary that the Asset Management Companies of mutual funds should come out with a range of innovative products that cater to the ever-changing needs and requirements of individual investors and make it more attractive, profiTable and the most preferred avenue of financial investment.

7.4. Scope for Further Research

This study provided a good review of the existing research work on general financial behaviour of investors, risk tolerance and attitudes of investors', mutual funds investment decision and investor behavior models. This gives a strong theoretical foundation for future academic

research. Future research can be extended in a number of ways and some of the possibilities are enumerated below.

1) The review of literature says that there is dearth in documented empirical evidence regarding the fund selection behavior of rural people. Hence, future researchers can attempt an empirical study in this direction.

2) The MF operational environment is becoming more competitive. Hence, the impact of emerging competition on investor behaviour/behavioural changes needs to be studied further.

3) Developments in technology influence the behaviour of investors. Hence, the impact of technology on financial behaviour is another potential area for close study.

4) A study is required to examine the trading behaviour of MF investors. Further research can be done to identify whether MF investors chase past returns or employ a current performance momentum to pick up their funds i.e. whether they are active or passive trend chasers.

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APPENDICES

◢▊▊ **Appendix -I**

QUESTIONNAIRE

Dear Respondent,

This questionnaire is intended to collect data for the research work being carried out on the topic 'Investment in Mutual Funds-A Study of Kerala'. The data provided by you will be kept strictly confidential and will be used only for academic purpose.

Please put a (√) in the appropriate bubbles/boxes except rank and descriptive questions.

I. PERSONAL PROFILE

1. Name (optional)   :

2. Gender   : ◯ Male   ◯ Female

3. Marital Status   : ◯ Single   ◯ Married

4. Age   : ◯ Below 20   ◯ 20-40   ◯ 40-60   ◯ 60& Above

5. Locality   : ◯ Rural   ◯ Semi-urban   ◯ Urban

6. Region   : ◯ South Central   ◯ North

7. Education   : ◯ Xth Std.   ◯ Plus Two/PDC   ◯ Diploma/Technical

    ◯ Graduation   ◯ Post-Graduation   ◯ Others (Specify)

8. Occupation   : ◯ Govt. Employee   ◯ Private Employee   ◯ Business/Professionals

    ◯ Agriculture   ◯ House-wife   ◯ Others (Specify)

9. Monthly Income (₹)   : ◯ Below 10,000   ◯ 10,000-20,000   ◯ 20,000-30,000

    ◯ 30,000-40,000   ◯ 40,000-50,000   ◯ 50,000& Above

II. SAVINGS & INVESTMENT BEHAVIOUR

1. How much you save?

    (% of annual income)   : ◯ Below 5%   ◯ 05%-10%   ◯ 10%-15%

    ◯ 15%-20%   ◯ 20%&Above

2.   Objectives of Your Savings? (Rank at least any five in the order of preference put 1 for most important, 2 for important ….and so on.)

☐ To Accumulate Fund   ☐ House Construction

☐ To Purchase Assets   ☐ For Tax Deduction

☐ For Children Education   ☐ For Marriage of Children

☐ To Meet Contingencies   ☐ To Provide for retirement

☐ Others (Specify)

3.   The followings are the different avenues of investments. Kindly express your awareness which you believe near to the under mentioned items

5 =Fully Aware, 4 =Aware, 3 =Partially Aware, 2= Some What Aware, 1 =Not Aware.

No	Avenues	5	4	3	2	1
a	Bank Deposits					
b	Life Insurance					
c	Pension & Provident Fund(other than statutory)					
d	Shares					
e	Bonds & Debentures					
f	Mutual Funds					
g	Company Deposits					
h	Postal Deposits					
i	Small Savings of the Government					
j	Chits					
k	Gold &Precious Stones					
l	Real Estate					
m	Arts Fund					

4.   What is your current preference of saving avenues? (rank at least any eight according to the order of preference, give 1 for most preferred, 2 for next preference …and so on)

☐ Bank Deposit   ☐ Life insurance

☐ Shares   ☐ Pension & provident Fund (other than statutory)

☐ Bonds& Debentures   ☐ Mutual Funds

☐ Company Deposits   ☐ Postal Deposits

☐ Chits   ☐ Small Saving Schemes of the Government

☐ Gold & Precious Stones   ☐ Real Estate

☐ Arts Funds

5. Sources of influence of investment decisions?

      ◯ No Assistance-Own Decision   ◯ Family Members

      ◯ Financial Consultants   ◯ Friends

6.   Your Risk Tolerance?

      ◯ High   ◯ Moderate   ◯ Low

7.   Indicate your rating towards the following statement about your risk perception.

      5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No	Statements	5	4	3	2	1
a	A diversified investment portfolio reduces risk					
b	The older people take lesser investment risk					
c	An investment that involves a great deal of risk isn't really investments, it's gambling					
d	The higher an investment's yield or rate of return, the greater is its associated risk					
e	My approach is to be cautious and avoid all risky investments					
f	The more money one has, the more investment risk one can take					
g	The more familiar an investment, the less risky it is					
h	The need to liquidate quickly prohibits me from considering riskier products					
i	My broker decides the best Investment level for me					

III   INVESTMENTS IN MUTUAL FUNDS

1.   How much you invest in Mutual Funds (% to total investment)

      ◯ Less than 25%   ◯ 25%-50%

      ◯ 50%-75%   ◯ 75%-100%

2.   What is your source of information regarding MFs? (Rank at least any three according to the order of preference, give 1 for most preferred, 2 for next preference ...and so on)

      ☐ Friends & relatives   ☐ Agents& brokers

      ☐ Print Media   ☐ Broadcast Media

      ☐ Outdoor media   ☐ Electronic media

3. Which of the following Periodical savings plan do you adopt?

   ○ SIP   ○ Lump sum   ○ SIP & Lump sum

4. How long do you preferred to invest in Mutual Funds?

   ○ Less than 3 years   ○ 3-5 years

   ○ 5-10 years   ○ 10-15 years   ○ 15 years & above

5. Objective of investing in MFs? (Rank at least any three according to the order of preference, 1 for most important, 2 for next and so on).

   ☐ Preservation of principal   ☐ Current income

   ☐ Growth & income   ☐ Conservative Growth

   ☐ Aggressive growth   ☐ Tax benefits

6. Which form of MF you prefer? (rank according to the order of preference 1 for most important and 2 for next and so on)

   ○ Open- Ended Fund   ○ Close-Ended Fund   ○ Interval Fund

7. On the basis of investment objective, indicate your preference for the following schemes? (Rank at least any five according to the order of preference, 1 for most important, 2 for next and so on).

   ☐ Equity Schemes   ☐ Income Scheme   ☐ Balanced Scheme

   ☐ Liquid/Money Market Scheme   ☐ ELSS-Equity   ☐ Gold ETF

   ☐ Other ETFs   ☐ Gilt Schemes   ☐ Fund of Funds

   ☐ Overseas Fund

8. Are you aware of the following risk associated with mutual fund investment?

   Express your awareness level. 5 = fully aware, 4 = aware, 3 = partially aware 2 = some what aware, 1 = not aware

No	Risk	5	4	3	2	1
a	Market Risk					
b	Credit Risk					
c	Inflation Risk					
d	Interest rate Risk					
e	Investment Risk					
f	Liquidity Risk					
g	Change in the Government Policy					

9. Your return expectation?

   ○ High   ○ Medium   ○ Low

10. If the return from your mutual fund investment is less than you expected, what will you do?

    ☐ Immediate withdrawal   ☐ Wait for few days

    ☐ Purchase other mutual fund schemes   ☐ wait for few months

11. While you are investing in MFs, what would be your preference for the following characteristics of mutual funds?

    5 = Most Preferred, 4 = Preferred, 3 = Some What Preferred, 2 = Not Preferred, 1 = Not at all Preferred

No	Characteristics of MFs	5	4	3	2	1
a	Regular income					
b	Capital Appreciation					
c	Safety					
d	Liquidity					
e	Tax Benefits					
f	Diversification benefits					
g	Flexibility					
h	Professional Management					

12. What would be your importance while selecting Asset Management Company? 5=Highly Important, 4=Important, 3 =Some What Important, 2=Not Very Important, 1 =Not at all Important

No	Category	5	4	3	2	1
a	Bank Sponsored joint ventures					
b	UTI					
c	LIC					
d	Private Sector					

13. Indicate your rating towards the following statements with regard to your investment specific attitude on investment in mutual funds.

5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree

No	Statements	5	4	3	2	1
I	**Awareness**					
a	MFs are useful for small investors					
b	MFs are the cheapest way to equity exposure					
c	MFs investment is like owning any other asset					
II	**Confidence**					
a	MF is one of the best investment avenues for one who is unable to track the capital market and manage stock investment efficiently					
b	Investing in MFs automatically provides necessary diversification of investment					
c	MFs give higher return than other investments					
d	Equity MF Schemes are specially designed to cater the retail investors desire to invest in stock market.					
e	Bank Sponsored & institution sponsored MFs are more secured than private sector MFs					
f	Trading of MF units on stock exchanges will help the investors in elimination of paper work, execution of transaction would be faster and more convenient manner					
g	Investing online in MFs is just as safe as investing in MFs offline					
h	In terms of cost saving, the abolition of entry load will be beneficial to the investors in the long run					
i	MFs are for all seasons and one need not wait for the market to go up to buy MFs					
III	**Investment Horizon**					
a	The best way to make money from MF investment is to adopt a long-term strategy					
B	The optimum way of reaping benefits in any market cycle would be through a disciplined, regular and long-term investment approach					
C	Money Market Mutual Funds ,Gilt funds & Liquid funds are good for investors having short-term investment horizon					
IV	**Risk Attitude**					
a	Choice of mutual fund scheme completely depends on investor's risk profile.					
b	The best way to avoid market timing is through regular investment or the Systematic Investment plan					
c	Diversification through MFs reduces the risk because the stock in the portfolio of the MF may very rarely decline simultaneously or in the same proportion					
d	Those investors with high risk appetite can choose equity MFs for their investments					
V	**Personalization of loss**					
a	There is no need to concern about short-term fluctuations in the long-term investments.					
b	Investors should try to make sure that their investments keep pace with inflation					
c	If investors' can break even on an investment, they don't feel that they have lost money.					
VI	**Investment Control**					
a	Investors should follow their investment closely					
b	The investor, who has control over his investment, can make his own investment decisions without advice from others.					

IV. FACTORS INFLUENCING MUTUAL FUND / SCHEME SELECTION

1. Why do you prefer the specific MF/Scheme (Rank according to the order of preference, 1 for most important, 2 for next and so on)?

   ☐ Fund Quality ☐ Fund Sponsor Quality ☐ Investor Services

2. There are many qualities that could affect your selection of mutual funds and specific schemes. Please indicate importance of the following in your decision

   5-Highly Important, 4=Important, 3 =Some What Important, 2 = Not Very Important, 1=Not at all Important.

No	Qualities	5	4	3	2	1
I	**FUND QUALITY**					
a	Fund performance record					
b	Fund reputation or brand name					
c	Scheme's portfolio of investment					
d	Schemes' expense ratio					
e	Withdrawal facilities					
f	Favourable rating by rating agency					
g	Innovativeness of the scheme					
h	Product with tax benefits					
i	Loads					
j	Minimum initial investments					
II	**FUND SPONSOR QUALITIES**					
a	Reputation of the sponsoring firm					
b	Sponsor has a recognised brand name					
c	Sponsor has a well developed agency network					
d	Sponsor's expertise in managing money					
e	Sponsor has a well development research & infrastructure					
f	Sponsor's past performance in terms of managing risk and return					
III	**INVESTOR SERVICES**					
a	Disclosure of investment objectives, methods and periodicity of valuation					
b	Disclosure of the method and periodicity of the schemes' sale and repurchase in statement of additional information and scheme offer Document					
c	Disclosure of NAV on every trading day					
d	Disclosure of deviation from the original pattern					
e	Disclosure of scheme's investments on every trading day					
f	Investors' redressal machinery					
g	Fringe benefits like free insurance, free credit card, loans on collateral, tax benefits etc					
h	Any Time Mutual Fund(ATMF)					
i	Electronic Clearing Services(ECS)					
j	Online Trading					
k	Immediate Settlement					

V.   OPINION & SUGGESTIONS

1.   What is your opinion about the future of MF industry in India?

       ……………………………………………………………………………..

       ……………………………………………………………………………..

       ……………………………………………………………………………..

       2. Do you have any suggestions for the improvement of the working of Mutual Fund Industry in India especially in Kerala?

       ……………………………………………………………………………..

       ……………………………………………………………………………..

       ……………………………………………………………………………..

       Thank You Very Much

                                              Sindhu K.P.

▌▌▌ ▌ ▌ Appendix -II

MUTUAL FUND ORGANISATIONS IN INDIA AS ON 31.3.2013

Sl.no	Name of MFS	Date of set up of MFS
A	**Bank Sponsored**	
I	**Joint Ventures - Predominantly Indian**	
1	BOI AXA Mutual Fund	31.3. 2008
2	Canara Robeco Mutual Fund	19.12.1987
3	SBI Mutual Fund	29.6.1987
4	Union KBC Mutual Fund	23.3.2011
II	**Joint Ventures - Predominantly Foreign**	
5	Baroda Pionner Mutual Fund	24.11.1994
III	**Others**	
6	IDBI Mutual Fund	29.3.2010
7	UTI Mutual Fund	1.2.2003
B	**Institutions**	
I	**Joint Ventures – Predominantly Indian**	
8	LIC NOMURA Mutual Fund	20.4.1994
C	**Private Sector**	
I	**Indian**	
9	Deutsche Mutual Fund	28.10.2002
10	Edelweiss Mutual Fund	30.4.2008
11	Escorts Mutual Fund	15.4.1996
12	IIFL Mutual Fund	23.3.2011
13	Indiabulls Mutual Fund	24.3.2011
14	JM Financial Mutual Fund	15.9.1994
15	Kotak Mahindra Mutual Fund	23.6.1998
16	LandT Mutual Fund	3.1.1997
17	Motilal Oswal Mutual Fund	29.12.2009
18	Peerless Mutual Fund	4.12.2009
19	Quantum Mutual Fund	2.12.2005
20	Reliance Mutual Fund	30.6.1995

21	Religare Mutual Fund	24.7.2006
22	Sahara Mutual Fund	18.7.1996
23	Sundaram Mutual Fund	24.8.1996
24	Tata Mutual Fund	30.6.1995
25	Taurus Mutual Fund	20.8.1993
II	**Foregin**	
26	BNP Paribas Mutual Fund	15.4.2004
27	Daiwa Mutual Fund	10.2.2009
28	Franklin Templeton Mutual Fund	19.2.1996
29	Goldman Sachs Mutual Fund	26.8.2008
30	Mirae Asset Mutual Fund	30.11.2007
31	Morgan Stanley Mutual Fund	5.11.1993
32	PineBridge Mutual Fund	9.2.2007
33	Pramerica Mutual Fund	13.5.2010
III	**Joint Ventures - Predominantly Indian**	
34	Axis Mutual Fund	4.9.2009
35	Birla Sun Life Mutual Fund	23.12.1994
36	DSP Black Rock Mutual Fund	16.12.1996
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39	IDFC Mutual Fund	13.3.2000
IV	**Joint Ventures - Predominantly Foreign**	
40	HSBC Mutual Fund	27.5.2002
41	ING Mutual Fund	11.2.1999
42	JPMorgan Mutual Fund	8.2.2007
43	PRINCIPAL Mutual Fund	25.11.1994

Appendix -III

PUBLICATIONS

LIST OF PUBLICATIONS

1. Rajitha Kumar S., & Sindhu K. P. (2011). A Review of the Operations of the Mutual Funds in India. *CAMS Journal of Business Studies and Research* , 7-19.

2. Sindhu K. P. (2012). Emerging Issues in Indian Mutual Fund Industry. In Paul K. P., & Ram H.S.G, *Paradigm Shift in Innovative Business Management* (pp. 501-506). Chennai: CBA Publishers.

3. Sindhu K. P. (2012). Innovations in Mutual Fund Industry. A Special Reference to Fund (Product) Quality. In Pandian,P.K.& Vinoth S, *Innovative Strategies for Global Competitiveness* (pp. 237 - 244). Coimbatore: NCRC Publishers.

4. Sindhu K. P. (2013). Invesotrs' Preference for Mutual Funds. In B. Gopal, & R. G., *Emerging Trends in Business and Finance* (pp. 71 - 78). Ernakulam: Government College, Tripunithura.

5. Sindhu K. P., & Rajitha Kumar S. (2013). A Study on Influence of Investment Specific Attitudes of Investors on Investment Decisions. *Indian Journal of Commere and Management Studies, Vol. IV, Issue 3* , 47 - 51.

A REVIEW OF THE OPERATIONS OF THE MUTUAL FUNDS IN INDIA

Dr. S. Rajitha Kumar & K. P. Sindhu

ABSTRACT

Mutual fund companies are dynamic financial institutions which act as financial intermediaries that mobilise the savings of large number of investors for investing the same in the capital market and thus, play a very crucial role to establish a direct link between investors and the capital market. They channalise the funds raised from investors for productive purpose through capital market with a view to earning reasonable returns with less risk.   In today's complex and modern financial scenario mutual funds are considered as the ideal investment vehicle for both small and big investors. As a professional fund manager, mutual fund company can relieves the investors from their fear of loss of investment and emotional stress involved in buying and selling of securities. Therefore, now investors prefer the mutual fund route for entering into the capital market and reap the benefit of the market at low risk. The analysis of data on growth and development of mutual fund industry in India during the various phases led to the conclusion that the Industry has witnessed a considerable growth during the various phases and mutual funds have been recognised as an ideal investment vehicle for today's complex and modern financial systems and market.

Key Words: Mutual Funds; Asset Management Company; Assets Under Management

1. Introduction

Financial services in India have undergone drastic changes over the years and had become more sophisticated, in response to the varied needs of the economy. With the advent of liberalisation, privatisation, globalisation, and reforms in the financial sector many developments have been taken place in the Indian economy, especially in the capital and money markets. The innovations in financial services and information technology, as well as increased financial disclosure requirements mandated by regulations, have generated and augmented the interest of investors in the capital market. Unfortunately the investors in India generally are hesitant to invest in the capital market due to lack of awareness, knowledge, skill, inclination, and professional expertise to keep track and understand the causes and implications of this highly volatile and competitive market.

The emergence of Mutual Funds was the outcome of the need to mobilise small savings especially of the household sector and to channelise it for productive purpose through capital market with a view to earning reasonable returns with safety and security. In today's complex and modern

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financial scenario mutual funds are considered as the ideal investment vehicle for both small and big investors. As a professional fund manager, mutual fund company can relieves the investors from their fear of loss of investment and emotional stress involved in buying and selling of securities. Therefore, now investors prefer the mutual fund route for entering into the capital market and reap the benefit of the market at low risk.

Mutual fund companies are dynamic financial institutions which act as financial intermediaries that mobilise the savings of large number of investors for investing the same in the capital market and thus, play a very crucial role to establish a direct link between investors and the capital market. In this way mutual funds act as complementary to banking sector and also at the same time they compete with banks and other financial institutions. Therefore, the entire activities of mutual fund companies have both short-term and long-term impact on the growth in savings pattern of individuals, growth of capital market and leads to the overall economic growth and development of the nation. The operations of mutual funds also have significantly activated the Indian stock market. All these made the mutual fund industry as one of the fastest growing sectors in the Indian financial market.

2. Objectives of the study

The present study is undertaken with a view to analyse the growth of mutual funds in India, with the following specific objectives.

1. to study the concept of mutual funds and the structure of mutual funds in India;
2. to analyse the growth of mutual funds in India based on their assets under management.

3. Methodology

The present study was carried out primarily by using the secondary data. The required secondary data were collected from books, journals, periodicals, publication of various mutual fund organisations, website of AMFI, website of SEBI, government publications, websites of various mutual fund companies, and UTI Fact Book. The secondary data on net assets/assets under management of mutual funds in India from 1964-65 to 2009-10, and data on gross mobilisation of funds, redemption of funds and net flow of funds from 1999-2000 to 2009-10 were collected and calculated the annual growth rate and compound annual growth rate to analyse its growth during these periods. Pearson correlation co-efficient was also calculated to establish the relationship between gross mobilisation and redemption of mutual funds.

4. Mutual Fund -- The Concept

A Mutual Fund is a trust that pools the savings of a large number of investors who share a common financial goal. These investors buy units of a particular Mutual Fund scheme that has a defined investment objective and strategy. The money, thus, collected is then invested by the fund manager in different types of securities. The income earned through these investments and the capital appreciation realised by the scheme are shared by its unit in proportion to the number of units owned by them (Association of Mutual Funds in India, 2008). According to Canadian Securities

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Administrators "A mutual fund is a pool of money that is managed on behalf of investors by a professional money manager. The manager uses the money to buy stocks, bonds or other securities according to specific investment objectives that have been established for the fund" (Canadian Securities Administrators, 2006).

The SEBI (Mutual Fund) Regulations, 1996 defines a Mutual Fund as "fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments or gold or gold related instruments or real estate assets".

A non-depository or non-banking financial intermediary which acts as an important vehicle for bringing wealth holders and deficit units together, indirectly, is known as 'Mutual Fund'. Mutual funds are corporations that accept money from savers and then use this money to buy stocks, long-term bonds, and short-term debt instruments issued by business or government units. These corporations pool funds and thus reduce risk by diversification (Gurusamy, 2004).

A mutual fund is an organisation which collects the small savings from the investors with the aim of investing it in different types of securities such as shares, debentures, and money market instruments depending upon the objectives of the schemes framed. A mutual fund scheme is the financial instrument or the product designed and issued by the fund managers to raise money form the investors. Those who are investing money in the mutual funds are called the unit holders. The SEBI (Mutual Fund) Regulations 1996 also defines a unit holder as "a person-holding unit in a scheme of a mutual fund". One of the most important and common features of the mutual fund schemes is that the fund managers are issuing the units with low price at the time of fresh issue with a view to attracting even investors having low incomes also. Mutual funds are working based on the principle of Trusteeship, which means working on behalf of someone else for the benefit of interested party and providing protection to such party. Mutual funds are acting as the financial intermediaries for investors with their professional expertise in managing fund. It is the most suitable investment avenue for a common man as it offers an opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost. In short, it can be stated, that mutual funds are essentially investment vehicles where investors with similar objectives of investment come together to pool their money and then invest accordingly in order to provide potential returns with reasonable safety. The income earned through these investments and capital appreciation realised by the schemes is shared among its unit holders in proportion to the number of units held by them.

5. Structure of Mutual Funds in India

In India a mutual fund shall be constituted in the form of a trust and the instrument of trust shall be in the form of a deed, duly registered under the provisions of the Indian Registration Act, 1908 (16 of 1908) executed by the sponsor in favour of the trustees named in such an instrument. The Securities and Exchange Board of India (SEBI) is the regulatory body to control and regulate the mutual fund industry. Hence, it is an important entity as for as mutual fund business is concerned. The SEBI has framed SEBI (Mutual Funds) Regulations, 1996, (hereinafter called to as SEBI Regulations for Mutual Funds) which provides the scope of the regulations of mutual funds in India. It is mandatory

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for all the mutual fund companies to get registered with the SEBI. The mutual fund regulations of the SEBI mainly focused on the registration of mutual funds; structure and formation of mutual funds; appointment of key functionaries; operations of mutual funds; rights and obligations of functionaries as well as investors; investment objectives and valuation policies; the restrictions imposed on investment for the fund managers; the SEBI's right to inspect and investigate the books of accounts, records, documents and infrastructure, systems and procedures or the affairs of a mutual fund; and the compliance to be fulfilled and the penalties imposed on non fulfillment of the same.

As part of the regulations the SEBI has contemplated a four-tier system for managing the affairs of mutual funds. The four entities involved in the organisational set up and management are the sponsors, trustees, the Asset Management Company (AMC) and the custodians.

5. 1 The Sponsor

In India mutual funds are constituted in the form of Public Trust under the Indian Trusts Act, 1882. This trust is created by the sponsor/sponsors of the mutual fund by making the required minimum initial contribution of funds. In short, the agency or the entity which set up the mutual fund is called the sponsor. The SEBI (Mutual Fund) Regulations 1996 defines a "sponsor means any person who, acting alone or in combination with another body corporate, establishes a mutual fund".

According to SEBI (Mutual Fund) Regulations, the sponsor should have a sound track record and general reputation of fairness and integrity in all his business transactions. This means that sponsor should have been doing business in financial services for not less than five years, with positive net worth in all the immediately preceding five years and the net worth in the immediately preceding year is more than the capital contribution of the sponsor in the AMC. The Regulation also states that the sponsor has profits after providing for depreciation, interest and tax in three out of the immediately preceding five years, including the fifth year. The sponsors should contribute at least 40 per cent of the net worth of the AMC. Banks, financial institutions, public limited companies and private limited companies are eligible to become sponsors. The sponsor will also appoint the trustees with the approval of the SEBI to hold the assets of the trust for the benefit of unit holders, who are the beneficiary of the trust, in accordance with the provisions of the regulations, They also create an AMC under the Indian Companies Act, 1956 to act as an investment manager or fund manager of the trust to manage the mutual fund and operate the scheme of such funds in accordance with the provisions of these regulations. The sponsor, either directly or acting through the Trustees, also appoints a custodian to hold the fund assets.

5.2 The Trustees

As stated above mutual funds are established in the form of a trust. Trust is managed by trustees. According to the regulations of mutual funds "trustees" mean the Board of Trustees or the Trustee Company who hold the property of the mutual fund in trust for the benefit of the unit holders. Thus, the trustees can be formed in either Board of Trustees (Governed by the provisions of Indian

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Trust Act, 1882), or Trustee Company (Governed by the provisions of Indian Trust Act, 1882 and Companies Act, 1956). They should be persons of long experience, ability, integrity and standing in their respective fields. While appointing trustees there should be at least four members in the Board of Trustees and at least two-third of them should be independent. They have the responsibility of safeguarding the interest of investors in the mutual funds. For this purpose, they monitor the operations of different schemes of the mutual funds. The trustees should ensure that the activities of the mutual funds are in accordance with the SEBI (Mutual Funds) Regulations. The important functions of Trustees are listed below.

- To ensure that the AMC has proper systems and procedures in place and all schemes floated by the AMC have to be approved by the trustees.
- To ensure that all the other fund constituents are formed and that proper due diligence is exercised by the AMC in the appointment of constituents and business associates.
- To review and ensure that the net worth of the AMC is as per the stipulated norms of SEBI.
- To furnish information to SEBI as well as unit holders about mutual fund schemes.
- To dismiss even the AMC with the approval of SEBI.

5.3 The Asset Management Company

According to the SEBI (Mutual Funds) Regulations an "asset management company" means a company formed and registered under the Companies Act, 1956 (1 of 1956) and approved as such by the Board under sub-regulation (2) of Regulation 21. The AMC is appointed with the approval of the SEBI by the sponsors or the trustees, if authorised by trust deed to act as investment manager of the assets of the trust. The investment manager of a mutual fund is technically called as the 'Asset Management Company'. The AMC launches mutual fund schemes on behalf of trustees inviting investors to contribute to the common pool by buying units of the schemes. The AMC takes care of all the operations of managing the money of the investors. The AMC employs a large number of professionals to make investments, carry out research and do agent and investor servicing. The AMC acts under the direct supervision of trustees and also is subjected to the regulations of SEBI. The AMC takes all reasonable steps, exercises and due diligence to ensure the investment of funds pertaining to any scheme is not contrary to SEBI regulations and trust deed. In fact, the success of any mutual funds depends upon the efficiency of the AMC.

5. 4 The Custodian

The most important asset of any mutual fund is portfolio of investment and should keep them safe also. The responsibility of safekeeping and custody of these portfolios of securities lies with the custodian. A custodian is an organisation, which keeps the securities in safe custody on behalf of the mutual fund organsiation. The SEBI (Mutual Funds) Regulations defines a "custodian" means a person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996. The mutual fund shall use the services of a custodian registered with SEBI for safe custody of the securities and carry out the custodian activities as may be authorised by the trustees. The custodians so appointed perform very important back office operations. They ensure that delivery has been taken of the

securities, which are bought, and that they are transferred in the name of mutual fund. They shall be responsible to collect and receive all income, dividends, interest receivables, and capitalisation of reserves relating to securities belonging to be mutual funds. The custodian shall hold all the units of funds in dematerialised form. They shall keep and maintain properly the investment account of the mutual funds. The custodian should not be linked with the AMC.

6. Growth and Development of Mutual Funds in India

The origin of Mutual Funds in India can be dated back to 1963, when Unit Trust of India (UTI) was established, by an Act of Parliament as a Government initiative to give an alternative investment option to the investors as well as establishing connectivity between the industry and the savings of the investors. Thus, the concept of mutual funds was introduced in India in 1963.

In this paper an attempt is made to analyse the growth and development of mutual fund industry in India. It is analysed here into four distinguished phases viz. Phase I (1964-65 – 1986-87), Phase II (1987-88 – 1992-93), Phase III (1993-94 – 2001-2002), and Phase IV (since 2002-2003).

6.1 First Phase (1964-65 – 1986-87)

The Unit Trust of India (UTI) was established in 1963 by an Act of Parliament and commenced its operations in July 1964. It was set up by Reserve Bank of India and functioned under the regulatory and administrative control of RBI. The basic objective behind the establishment of the UTI was to mobilise small savings and allow to channeling of those savings into productive sectors of the economy, so as to accelerate the industrial and economic development of the nation. The first scheme launched by UTI was the famous Unit Scheme 64 (popularly called '*US – 64*'), an open-ended scheme in 1964, which was the pioneer scheme of the industry in the country. The scheme attracted the largest number of investors and enjoyed substantial popularity among the small investors and continued to provide good returns for the considerable period until the stock market scam almost wiped out the net-assets of this scheme. Another popular scheme, Unit Linked Insurance Plan (ULIP), was launched in 1971. A host of other fund schemes, both open-ended and closed-ended, were subsequently launched by UTI, keeping in view the varied needs of the different groups of investors. In 1986 it also launched India Fund, the first Indian offshore fund for overseas investors, which was listed in the London Stock Exchange. In 1978 UTI was de-linked from RBI and the administrative control of UTI was transferred to the Industrial Development Bank of India (IDBI), which was then a public financial institution. The period from 1964 to 1987 was marked by the operations of a sole player, the UTI, but which prepared a strong ground for the future of mutual fund industry in India. The UTI started with an asset base of Rs. 25 crores in 1964 and by the end of financial year 1986 – 87 it had launched 20 schemes and its' net assets grown to Rs. 4563.68 crores. Since then, the mutual funds have established themselves as an alternative investment vehicle and are now an integral part of the Indian financial system also. The growth in business of this industry during this period has found that the initial acceptance from the retail investors was mainly due to the inherent advantage of investing in mutual funds that gives higher returns with low risk in comparison to other forms of investments like bank deposits and post office deposits.

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The net assets of Indian mutual fund industry from 1964–65 to 1986–87 are given in Table 1. The analysis of net assets as on 31st March of every year showed that till 1981-82 there was increase in net assets over preceding years. But in 1974-75 there was no change compared to 1973-74, at the same time in 1975-76, the net assets was decreased by Rs. 2.13 crores over the year 1974-75. Since 1981-82 every year net assets as on 31st March increased over the previous year till 1986-87. The annual growth rates of net assets also showed that there were ups and downs every year, but the Compound Annual Growth Rate during this period was 26.78 per cent.

Table - 1
Net Assets of Mutual Funds Industry in India
(From 1964 – 65 to 1986 – 87)

(Figures in crores of rupees)

Year	Net Assets* (Rs.)	Increase over previous year (Rs.)	Annual Growth (Percentage)
1964-65	24.67	--	--
1965-66	25.94	1.27	5.15
1966-67	33.86	7.92	30.53
1967-68	48.70	14.84	43.83
1968-69	65.40	16.70	34.29
1969-70	88.30	22.90	35.02
1970-71	105.14	16.84	19.07
1971-72	119.26	14.12	13.43
1972-73	141.96	22.70	19.03
1973-74	172.09	30.13	21.22
1974-75	172.09	0.00	0.00
1975-76	169.96	-2.13	-1.24
1976-77	176.66	6.70	3.94
1977-78	279.91	103.25	58.45
1978-79	393.70	113.79	40.65
1979-80	455.30	61.60	15.65
1980-81	513.97	58.67	12.89
1981-82	679.24	165.27	32.16
1982-83	870.24	191.00	28.12
1983-84	1261.33	391.09	44.94
1984-85	2209.61	948.28	75.18
1985-86	3218.34	1008.73	45.65
1986-87	4563.68	1345.34	41.80
Compound Annual Growth Rate (CAGR)			26.78%

Source: * Data compiled from UTI Fact Book

6.2 Second Phase (1987-88 – 1992-93)

The UTI continued to be the sole mutual fund till 1987 in India. The monopoly of UTI in the field of mutual funds came to an end in the year 1987, when the Government of India permitted public

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sector banks and insurance companies to enter in the field of mutual funds. Pursuant to this decision, six public sector banks and two insurance companies launched mutual fund schemes. Hence, this period is called the period of entry of public sector mutual funds. The State Bank of India set up the first mutual fund institution in the name of SBI Mutual Fund and launched the first scheme in 1987 named Magnum Regular Income Scheme. The other public sector banks set up mutual funds include Canbank Mutual Fund by the Canara Bank in December 1987, Punjab National Bank Mutual Fund in November 1989, Indian Bank Mutual Fund in November 1989, Bank of India Mutual Fund in June 1990, and Bank of Baroda Mutual Fund in October 1992. The two public sector insurance companies entered in mutual fund operations namely the Life Insurance Corporation of India in June 1989 and the General Insurance Corporation in December 1990. At the end of March 1993 the assets under management of mutual fund industry has increased to Rs 47,733.42 crores. During this period also the UTI remained the market leader of the industry because of its share of assets under management at the end of March 1993 was Rs. 38,976.81 crores which was 81.66 per cent of the total assets under management. One of the reasons for the major boost for the mutual fund industry during this period came because of the government policy on liberalisation of economy in 1991.

The assets under management of mutual fund industry in India during the financial years 1987–88 to 1992–93 are given in Table 2. The assets under management of mutual fund industry during this period increased from Rs. 6,870.81 corores in 1987-88 to Rs. 47,733.42 corores in 1992–93. The analysis of annual growth rate showed that compared to 1987-88 the AUM increased to 95.84 per cent in 1988-89. But the annual growth showed a fall during 1989-90 and 1990-91. The annual growth showed an increase during 1991-92 compared to the previous year. But again the annual growth rate reduced to 25.70 per cent in 1992-93. The Compound Annual Growth Rate during the period from 1987-88 to 1992-93 was 47.35 per cent.   It showed that the average annual growth of assets under management is higher during this phase compared to the first phase.

Table 2
Assets Under Management of Mutual Funds Industry in India
(From 1987-88 to1992-93)

(Figures in crores of rupees)

Year	UTI* (Rs.)	Others* (Rs.)	Total Assets Under Management* (Rs.)	Increase (Rs.)	Annual Growth (Percentage)
1987 - 88	6738.81	132	6870.81	---	----
1988 - 89	11834.65	1621	13455.65	6584.84	95.84
1989 - 90	17650.92	1480	19130.92	5675.27	42.18
1990 - 91	21376.48	1784.99	23161.47	4030.55	21.07
1991 - 92	31805.69	6167.78	37973.47	14812	63.95
1992 - 93	38976.81	8756.61	47733.42	9759.95	25.70
Compound Annual Growth Rate (CAGR)					47.35%

*Source: * Data compiled from Mutual Fund Year Book 2000*

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3 Third Phase (1993-94 – 2001-02)

In 1993, the SEBI framed mutual fund regulations called the SEBI (Mutual Funds) Regulations, 1993, which paved way for the entry of private sector players in the mutual fund industry. Thus, a new era has started in the Indian mutual fund industry, giving the investors a wider choice of mutual fund schemes. This period is called the period of entry of private sector funds. The mutual fund reforms consequent to the financial sector reforms attempted during this period by opening the sector to the private players with the objective of creating a competitive environment in the industry. According to the SEBI Mutual Fund Regulations, all mutual funds except the UTI were to be registered and governed under this regulation. The SEBI (Mutual Fund) Regulations 1993 was substituted by a more comprehensive and revised regulations in 1996, called the SEBI (Mutual Fund) Regulations 1996.

The erstwhile Kothari Pioneer was the first Indian private sector mutual fund registered in July 1993. The SEBI's uniform standards for all mutual fund companies, and the measures to safeguard the interest of investors, investors' awareness programmes of SEBI and AMFI, and the tax benefits offered by the government to investors started showing interest of investors in mutual funds. Because of all these during this period the number of fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the mobilisation of funds reached new heights. Many private mutual funds opted for foreign collaboration due to the technical expertise of their counterparts and past track record of success. This period also witnessed several mergers and acquisitions of AMCs.

The assets under management of mutual fund industry during the years 1993-94 to 2001-02 are given in Table 3.

Table 3
Assets Under Management of Mutual Funds in India
(From 1993 -94 to 2002-03)
(Figures in crores of rupees)

Year	UTI (Rs.)	Others (Rs.)	Total Assets Under Management (Rs.)	Increase (Rs.)	Annual Growth (Percentage)
1993 - 94	51708.88	10721.17	62430.05	---	---
1994 - 95	59618.64	13348.53	72967.17	10537.12	16.88
1995 - 96	61528.39	12786.92	74315.31	1348.14	1.85
1996 - 97	59341.26	10856.15	70197.41	-4117.9	-5.54
1997 - 98	47611.69	11306.53	58918.22	-11279.2	-16.07
1998 - 99	56010.15	14613.35	70623.5	11705.28	19.87
1999 – '00	68524	34928.98	103453	32829.5	46.49
2000 - 01	58017	32570	90587	-12866	-12.44
2001 - 02	51434	49160	100594	10007	11.05
Compound Annual Growth Rate (CAGR)					6.14%

Source: Data compiled from Mutual Fund Year Book

The analysis of data during this period showed that the AUM increased from Rs. 62,430.05 crores in 1993–94 to Rs. 1,00,594 crores in 2001-02, showed an increase of 61.13 per cent. The analysis of annual growth rate showed that there was increase in all the years during this period compared to the previous years, but in 1996-97, 1997-98 and 2000-01 the annual growth was negative.

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The decline in assets under management in the year 2000-01 was mainly due to fall in funds mobilisation because of the bearish trend in the stock markets as well as problems in Unit Trust of India. The Compound Annual Growth Rate during this period was 6.14 per cent. It showed that the average annual growth rate was lower during this phase compared to the first and second phases.

6.4 Fourth Phase (Since February 2003)

Subsequent to the bitter experience the UTI had during the third phase in February 2003, the government had taken measures to bifurcate Unit Trust of India into two separate entities viz, Specified Undertaking of the Unit Trust of India to manage the assets of US 64 and the UTI Mutual Fund a regular mutual fund working under the SEBI regulations. The Specified Undertaking of the Unit Trust of India with assets under management of Rs. 29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations. The UTI Mutual Fund, sponsored by State Bank of India, Punjab National Bank, Bank of Baroda and Life Insurance Corporation of India is registered with SEBI and functions under the SEBI Mutual Fund Regulations. The assets under management of mutual funds in India during the years from 2002-03 to 2009-10 are presented in Table 4. The analysis of data showed that on 31st March 2003 the assets under management was Rs. 1,09,299 and it increased to Rs 6,13,978 crores on 31st March 2010, showing an increase of 461.74 per cent during this period. The annual growth rate showed that there were ups and downs every year and in 2008-09 the growth was even negative also. But the CAGR during this period was 27.96 per cent; it showed that the average annual growth of assets under management was higher compared to the first and third phases.

Table 4
Assets Under Management
(From 2002 -03 to 2009-10)
(Figures in crores of rupees)

Year	Assets Under Management (Rs.)	Increase (Rs.)	Annual Growth (Percentage)
2002-03	1,09,299	----	----
2003-04	1,39,616	30,317	22.74
2004-05	1,49,600	9,984	7.15
2005-06	2,31,862	82,262	54.99
2006-07	3,26,292	94,430	40.73
2007-08	5,05,152	1,78,860	54.82
2008-09	4,17,300	-87,852	-17.39
2009-10	6,13,978	1,96,678	47.13
Compound Annual Growth Rate (CAGR)			27.96%

Source: SEBI Annual Report 2009-10

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7. Mobilisation of Resources by Mutual Funds (2000-01 to 2009-10)

The gross mobilisation of mutual funds, withdrawal from funds, net inflow of funds and assets under management in India from 1999-2000 to 2009-10 are presented in Table 5. The analysis of data revealed that the gross mobilisation of funds increased from Rs. 61,241 crores in 1999-2000 to Rs. 100,19,022 crores in 2009-10. The data also showed that there was increase in gross mobilisation of funds every year. But the analysis of annual growth rate showed that all the years there was increase in gross mobilisation of funds over the preceding years during this period, except in the years 2003-04, 2004-05, 2005-06 and 2008-09. The Compound Annual Growth Rate showed that during this period there was 66.49 per cent average annual growth in gross mobilisation of funds. At the same time the redemption of mutual funds also have increased from Rs. 42,271 crores to Rs. 99,35,942 crores during the same period. The calculation of annual growth rate revealed that the percentage increase in redemption was more compared to the percentage increase in mobilisation of funds in all the years, except 2003-04, 2005-06 and 2009-10.

Table - 5
Mobilisation of Resources by Mutual Funds in India
(From 1999-2000 to 2009-10)

(Figures in crores of rupees)

Year	Gross Mobilisation of Funds		Redemption of Funds		Net Inflow of Funds		Assets at the end of period	
	Amount* Rs.	Annual Growth (%)	Amount* Rs.	Annual Growth (%)	Amount* Rs.	Annual Growth (%)	Amount Rs.	Annual Growth (%)
1999-00	61,241	----	42,271	----	18,970	----	1,07,946	----
2000-01	92,957	51.79	83,829	98.31	9,128	-51.88	90,587	-16.08
2001-02	1,64,523	76.99	1,57,348	87.70	7,175	-21.40	1,00,594	11.05
2002-03	3,14,706	91.28	3,10,510	97.34	4,196	-41.52	1,09,299	8.65
2003-04	5,90,190	87.54	5,43,381	75.00	46,808	1015.54	1,39,616	27.74
2004-05	8,39,708	42.28	8,37,508	54.13	2,200	-95.30	1,49,600	7.15
2005-06	10,98,149	30.78	10,45,370	24.82	52,779	2299.05	2,31,862	54.99
2006-07	19,38,493	76.52	18,44,508	76.45	93,985	78.07	3,26,292	40.73
2007-08	44,64,376	130.30	43,10,575	133.70	153802	63.65	5,05,152	54.82
2008-09	54,26,353	21.55	54,54,650	26.54	-28,296	-118.40	4,17,300	-17.39
2009-10	100,19,022	84.64	99,35,942	82.16	83,080	-393.61	6,13,978	47.13
CAGR	66.49%		72.63%		15.92%			18.99%

Source: * Figures compiled from SEBI Annual Reports 2008-09 & 2009-10
Correlation 0.999 between gross mobilisation and redemption of funds
Significant at 1% (2 tailed)

In 2008-09, the redemption pressure witnessed by mutual funds led to even net out flows of funds of Rs. 28,297 crores as against a net inflow of Rs. 1,53,801 crores in the year 2007-08. This was mainly due to withdrawal of large amounts of funds by corporate sector due to the global financial crisis in the middle of September 2008. But in 2009-10, because of the improvement in the stock market the funds mobilisation turned positive and the assets under management has gone up

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considerably. The Compound Annual Growth Rate showed that during this period there was 72.63 per cent average annual growth in redemption of funds. It showed that annual growth in redemption of funds was more compared to mobilisation of funds during this period. The result of coefficient of correlation (Pearson's coefficient of correlation 0.999) between gross mobilisation and redemption of mutual funds during the period 1999-00 to 2009-10 was highly positively correlated and the result was significant at one percent also.

The net flow of funds increased from Rs. 18,970 in 1999-2000 to Rs. 83,080 crores in 2009-10. The Compound Annual Growth Rate showed that there was only 15.92 per cent. The assets under management during this period increased from Rs. 1,07,946 crores in 1999-2000 to Rs. 6,13,978 crores in 2009-10. The annual growth rate of AUM showed that every year there was increase over the previous year; except in 2000-01 and 2008-09 an in these years the growth rates were negative. The Compound Annual Growth Rate showed that during this period there was 18.99 per cent average annual growth in assets under management.

8. Conclusion

The analysis of growth and development of mutual fund industry in India during the various phases led to the conclusion that the Industry has witnessed a considerable growth during the various phases and mutual funds have been recognised as an ideal investment vehicle for today's complex and modern financial systems and market. The major factors contributing to the growth of mutual funds in India include increase in savings of investors; the financial reforms policies of the government; tax benefits given to investors by the government; the entry of private mutual fund companies; introduction of new mutual fund products; and regulatory and monitoring policy of the SEBI. At the same time investors are not fully aware of the various offers available in the market from different players. They have lesser exposure and reliable avenues for serving expert opinion on selecting a suitable scheme. The present study clearly indicates that the higher growth rate of investment in mutual funds and their increasing acceptability among all segments of investors as the best available vista of investment with less risk but comparatively good returns. It may be concluded that, mutual funds have to urge a major role in mobilising the household savings for channelising into the stock market.

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EMERGING ISSUES IN THE INDIAN MUTUAL FUND INDUSTRY

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ABSTRACT

Financial services are fundamental to economic growth and development. Banking, savings and investment, insurance and debt and equity financing help private citizens save money, guard against uncertainty and build credit while enabling business to start up, expand, increase efficiency and compete in local and international markets. The financial sector is the largest in the world in terms of earnings, comprised of a wide range of business including merchant banks, credit card companies, mutual funds and others. The genesis of MF operation in India can be traced back in 1964 with the functioning of UTI. The MFs nomenclature, as such, gained popularity only in 1987 with the establishment of MFs by public sector financial institutions. Today, there are lots of MF organizations competing each other to view the attention of the potential investors as well as to retain the loyalty of the present ones.

Unfortunately, most Indian investors have not warmed up to mutual funds. India today has near about 5 crores mutual fund portfolios (but number of investors may less as one person may hold several portfolios), with high concentration in metros. Today, top 10 cities account for 80% of Asset Under management (AUM). In fact, mutual fund awareness is not much beyond top 20 cities. According to a recent survey, 80 per cent of the people who save more than 20 per cent of their incomes do not invest in MFs. This is mainly due to lack of awareness (Money Today, June 2010). Information overload in the industry makes confusion to the investors. The present paper mainly discusses the emerging issue such as the information overload, which lead to confusion to the mutual funds investors.

KEY WORDS:

Financial Services, Mutual Funds, Information Overload.

INTRODUCTION

Financial services are fundamental to economic growth and development. Banking, savings and investment, insurance and debt and equity financing help private citizens save money, guard against uncertainty and build credit while enabling business to start up, expand, increase efficiency and compete in local and international markets. The financial sector is the largest in the world in terms of earnings, comprised of a wide range of business including merchant banks, credit card companies, mutual funds and others.

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In India, it is the house hold sector which occupies a position of dominance over the other institutional sectors like private corporate sector and public sector in terms of generating savings. This sector is defined to comprise individuals, non-government non-corporate enterprise of farm business and non-farm business like sole proprietorship and partnership, and non-profit institutions. If there is higher mobilization of household savings, it means higher availability of resources in the economy for growth and development. Particularly, savings in financial assets by household are more important from the resource mobilization point of view because of their liquidity characteristics compared to physical savings and therefore can be translated into investment more easily.

The very large household saving rate of 33.4 percent would translate into incremental savings of $5 trillion over the next decade with growing incomes of Indian households . Nearly 35 % of the house holds' savings are channeled into physical assets such as property and gold. House holds' financial assets totaled Rs. 61.6 lakh crore (June 2009), the bulk of which (63%) was in the form of cash and deposits. Equity related investment formed only 10% which is sharp contrast to 22% in China and 30-40 percent in developed countries. Households deploy their savings across a cross section of instruments with their preference pattern expected to evolve over time such that the households would hold those assets that would provide them higher risk-adjusted returns. Though the house hold sector comprises of individuals and others, the share of individual wealth is one of the major element in the total wealth of India.

NEED OF THE STUDY

The dynamics of economic growth provide various opportunities for investors to invest their money in different types of securities. An investor has to use his discretion, which is an art acquired by learning and practical experience. Those investors with lack of knowledge and expertise may lose his money while investing in financial assets especially in securities. So they need professional advice for right investment, otherwise due to fear of lose of money they will never put money in financial securities. Financial services are necessary for the management of risk in the increasingly complex global economy .These services refers to fund intermediation, payment mechanism, provision of liquidity, risk management and financial engineering, the producers of these financial services are financial intermediaries, such as, banks, insurance companies, mutual funds and stock exchanges. Financial services rendered by the financial intermediaries' bridge the gap between lack of knowledge on the part of investors and the increasing sophistication of financial instruments and markets.

The financial services sector contributed 15 per cent to India's GDP in FY09, and is the second-largest component after trade, hotels, transport and communication all combined together, as per the Banking & Finance Journal, released by an industry body in August 2010.Financial services, banking, insurance and real estate sectors rose by 8 per cent during the quarter ended June 2010.(www.ibef.org/8/2/2011)

As said earlier, the financial services are rendered by financial intermediaries, such as, banks, insurance companies, mutual funds and stock exchanges. The fine art of growing wealth is in finding the right balance between risks and returns for a safe today and a secure

tomorrow. While the stock market is too volatile, fixed deposits are too dreary; mutual funds represent perhaps the most appropriate investment opportunities for most investors. Basically, mutual fund organizations are fund managers, managing funds of individuals, and bodies who may not have sufficient time to cop up with the complexities of various investment instruments, tax laws, corporate performances, stock market behavior or whose savings may not be too small to take advantage of a widely diversified and growth oriented portfolio of the market. Informed investment, safety of funds, dispersal of risk, and a reasonably satisfactory yield are hallmark of MFs. Because of these special features mutual fund become the investment vehicle for all sectors of investors-small, medium and large, risk averse and risk taking individuals and institutions. The working of MFs is also governed by SEBI (Mutual Funds) Regulations1993. Hence the regulatory frame work, disclosure norms and service standards have made mutual funds an important investor friendly avenue available for investment. Today, MF is a common name to ordinary investors in India, its operation has also become an integral part of the Indian capital market and growth possibilities are numerous.

Unfortunately, most Indian investors have not warmed up to mutual funds. India today has near about 5 crore mutual fund portfolios (but number of investors may less as one person may hold several portfolios), with high concentration in metros Today, top 10 cities account for 80% of Asset Under management (AUM). In fact, mutual fund awareness is not much beyond top 20 cities. This despite of the fact that mutual fund product meant for small investors. Due to this, only 37 per cent of the AUM in India are owned by retail investors against 82 per cent in. US. According to a recent survey, 80 per cent of the people who save more than 20 per cent of their incomes do not invest in MFs. This is mainly due to lack of awareness (Money Today, June 2010). The mutual fund industry in Kerala is managing only Rs.700 crores in January 2012(discussion with GM, Karvy Consultancy). To ensure safety of investment of small investors against whims and fancies of professional fund managers have become need of the hour.

Nowadays, there are lots of mutual funds houses are playing in the market with their different kinds of schemes and sub schemes. An average investor couldn't understand all the information and all the schemes provided by these companies and not even apt sure where to invest also i.e. that much of information are available in the market. In this situation, it is felt necessary to undertake a study on this behalf.

OBJECTIVE OF THE STUDY

The main aim of the study is to explore the factors that leads to confusion to investors due to large volume of information associated with mutual funds available in the market.

HYPOTHESIS

H0: There exists no significant relation between gender and information overload in the mutual fund industry.

H1: There exists significant relation between gender and information overload in the mutual fund industry.

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METHODOLOGY

Both primary and secondary data were used for the study Primary data required for the study was collected from individual mutual fund investors in the state. The secondary data source for the study were collected from books, journals, periodicals, publication of various mutual fund organizations, AMFI website, SEBI website, government publications and websites of various mutual fund companies

All those individuals in Kerala who invest in mutual funds constitute the universe of this study. Multi-stage sampling was adopted for selection of respondents for the study. In the first stage the state of Kerala was divided into three regions namely southern, central and northern regions. In the second stage Thiruvanathapuram district from the southern region, Ernakulum district from the central region and Kozhikode district from the northern region were selected for the study giving due consideration to geographical location. In the third stage these district is divided into three locality viz. rural, semi-urban, urban areas. In the fourth stage, 300 mutual fund investors each from these three districts were selected by using judgment sampling method. Thus, total sample size comes to 900 individual mutual fund investors. Judgment sampling method adopted to select mutual fund investors for the study facilitated to cover and include various categories of mutual fund investors having varied socio-economic profile such as gender, income, age, education, occupation and area of residence so as to ensure representativeness of the society. Primary data were collected using scheduled questionnaire developed after a pilot study. The questionnaire developed for collecting data from individual mutual fund investors was finalized after conducting a pilot study among 50 individual mutual fund investors in Ernakulum district. The data collected for the study were tabulated and analyzed using statistical tools like mean, standard deviation, rank and T-test.

ANALYSIS & RESULTS

(1) Confusion with information overloads in the industry

Mutual fund industry is overloaded with huge information. So it is felt necessary to know whether the investors were confused or not.

Table 1. Confusion with information overloads in the industry		
Confused with information overload	Frequency	Percent
Yes	183	20.3
No	717	79.7
Total	900	100
Source: Field Survey		

(2) Reason for Confusion in the information overloads in the MF Industry

The Indian mutual fund industry is facing lots of problems. Currently there are 43 players with lots of different schemes. Mergers and acquisitions are there with different fund houses, even with different schemes. Besides that there are schemes with different sub-schemes with different plans and options. One of the major problems in the industry is that

ordinary investors are not at all knowledgeable for understanding these details. The agents/fund houses are not willing to explain the details.

So the mutual fund investors are asked to rate the five statement's according their importance as 5 for most important, 4 for important, 3 for somewhat important, 2 for not very important and 1 for not at all important. From the responses mean were calculated and assigned rank for these statement and presented in table 2

No	Reason	Mean	Std. Deviation	C.V	Rank
1	Existence of number of MF companies	4.74	0.74	17.70	1
2	Multiplicity of products	4.7	0.77	13.51	2
3	Number of schemes with Sub-schemes with different plans & options	4.19	0.84	10.83	3
4	Agents/fund houses are not willing to explain the details	3.69	0.97	27.44	5
5	Changing of schemes' name after the merger/Amalgamation between MF companies	3.85	0.85	21.75	4

Source: Field Survey

From the above table it can be understand that, the first reason for confusion in the industry was existence of number of schemes and so on.

To know whether the mean confusion with information overloads is significant within the gender category test were conducted. The result was as follows.

No	Reason	Gender	N	Mean	Std. Deviation	t	df	Sig. (2-tailed)
1	Existence of number of MF companies	Male	118	4.3898	0.79823	-1.809	158	0.035
		Female	42	4.5	0.59016			
2	Multiplicity of products	Male	118	4.2797	0.75945	-0.365	158	0.590
		Female	42	4.3333	0.68532			
3	Number of schemes with Sub-schemes with different plans & options	Male	118	4.1441		-0.194	158	0.760
		Female	42	4.2381	0.26526	0.75571			

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4	Agents/Fund houses are not willing to explain the details	Male	139	3.8993	0.86221	-0.037	179	0.971
		Female	42	3.9048	0.79048			
5	Changing of schemes' name after the mergers &acquisition between MF companies	Male	137	3.9927	0.8445	0.425	177	0.672
		Female	42	3.9286	0.89423			
Source: Field Survey								

From the table it is clear that there exist no significant relation between gender and reasons for confusion in the information overloads in the mutual fund industry. That means null hypothesis was accepted. So the factors leads to confusion in the mutual fund industry were different for both male and female.

CONCLUSION

From the forgoing analysis it can be concluded that, existence of large number of mutual fund companies is an important problem in the industry. Multiplicity of products and scheme with sub schemes are other problems. The factors leads to confusion in the mind of investors were different for both males and females.

The present study looks into one of the emerging issues in the mutual fund industry as the information overload. If the industry can channelize the household sector savings, they can emerge as a giant in the capital market. For that purpose industry must educate the investors and be transparent in their dealings. So only through overcoming the emerging issues, the industry can survive in the market.

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INNOVATIONS IN MUTUAL FUND INDUSTRY-
A SPECIAL REFERENCE TO FUND (PRODUCT) QUALITY

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INTRODUCTION

The genesis of MF operations in India can be traced back in 1964 with the functioning of UTI. The mutual funds nomenclature, such as, gained popularity only in 1987 with the establishment of mutual funds by public sector financial institutions. The mutual fund industry was also thrown open to private sector consequent upon liberalization and privatization policy of government of India. Thus, the monopoly of the UTI and other public sector financial institutions in MFs, was ended by the new economic policy from 1991.The launching of innovative schemes in India has been rather slow due to prevailing investment psychology and infrastructural inadequacies. Risk adverse investors are interested in schemes with tolerable capital risk and return over bank deposit, which has restricted the launching of more risky products in the capital market. But this objective of the mutual fund industry has changed over decades. For many years funds were more of a service than a product, the service being professional money management. In the last few years MFs have evolved to be a product. The term 'product' is used because MF is not merely to park investors' savings but schemes are 'tailor made' to cater to investors' needs, whatever their age, financial positions, risk tolerance and return expectations.

The mutual fund industry has witnessed several innovations during the past few years. A novel feature in the form of limited cheque writing facility has been introduced by one of the funds. Its asset management company (AMC) through an arrangement with a Bank, allows the unit holders to issue cheques against a savings account with the Bank. To enhance service to investors, one fund has instituted a toll-free inquiry facility enabling investors to access information about the fund without any charges. The previous years also witnessed the launch of sector funds targeting sectors such as information technology, pharmaceutical, brand value and fast moving consumer goods. Dedicated gilt fund envisaging 100% investment in government securities was launched making the gilt market accessible to small investors. Another innovative product was to invest solely in dematerialized securities and

exchange of any security in dematerialized segment, instead of cash, for the units of the scheme. The SEBI also directed the mutual funds who had launched assured return schemes to meet their commitments in case there were shortfalls, and as a result sponsors of these mutual funds, who were to meet the commitment infused additional resources to the tune of Rs 1300 crore in the funds to meet the short fall.

The Securities and Exchange Board of India (Mutual Funds) Regulations 1996 were amended to allow the mutual funds to participate in derivatives trading whenever this is introduced. Entry load was abolished. In order to enable people with small saving potential and to increase reach of Mutual Fund products in urban areas and smaller towns. it has been decided by SEBI that a transaction charge per subscription of Rs. 10,000/- and above be allowed to be paid to the distributors of the Mutual Fund products. For convenience in transaction "MF utility" is provided by AMFI.

NEED AND OBJECTIVE OF THE STUDY

The Mutual fund industry is expected to secure growth by catering to the needs of retail customers. The industry seeks to target an increased share of the customer pocket through the expansion of innovative products combined with deeper retail penetration by expanding reach into tier II and tier III cities. It will need to incorporate products, which yield maximum returns with low level of risk. By building investors trust and increased customer awareness, the industry can promote financial literacy in building greater retail participation. According to Mr U.K. Sinha, Chairman and Managing Director of UTI Mutual Fund, the products that are not currently offered by the mutual fund industry can generate at least a quarter of the total fund earnings in the future. Innovative products such as target maturity plans and children plans. commodity-based products, new asset classes such as real estate funds, hedging and arbitrage products and bundled products providing pension, insurance and mutual fund benefits in one product should be introduced by the mutual fund industry. Recent developments triggered by the global economic crisis have served to highlight the vulnerability of the Indian mutual fund industry to global economic turbulence and exposed our increased dependence on corporate customers and the retail distribution system. It is therefore an opportune time for the industry to dwell on the experiences and develop a roadmap through a collaborative effort across all stake holders, to achieve sustained profitable growth and

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strengthen investor faith and confidence in the health of the industry, innovative strategies of AMCs and distributors, enabling support from the regulator SEBI, and pro-active initiatives from the industry bodies CII and AMFI are likely to be the key components in defining the future shape of the industry. The industry will need to incorporate capital safety features in product design, build strong brands that are hallmarks of financial integrity, service orientation and sustained fund performance. From the forgoing discussions it is clear that the important factor the investors consider while selecting a fund/scheme is the fund(product) itself. In this situation it is felt necessary to undertake a study based on the objective that to know the retail investors preference on the fund (product) quality features while selecting a mutual fund/scheme.

METHODOLOGY

Both primary and secondary data were used for the study Primary data required for the study was collected from individual mutual fund investors in the state. The secondary data source for the study were collected from books, journals, periodicals, publication of various mutual fund organizations, AMFI website, SEBI website, government publications and websites of various mutual fund companies

All those individuals in Kerala who invest in mutual funds constitute the universe of this study. Multi-stage sampling was adopted for selection of respondents for the study. In the first stage the state of Kerala was divided into three regions namely southern, central and northern regions. In the second stage Thiruvanathapuram district from the southern region, Ernakulum district from the central region and Kozhikode district from the northern region were selected for the study giving due consideration to geographical location. In the third stage these district is divided into three locality viz. rural, semi-urban, urban areas. In the fourth stage, 300 mutual fund investors each from these three districts were selected by using judgment sampling method. Thus, total sample size comes to 900 individual mutual fund investors. Judgment sampling method adopted to select mutual fund investors for the study facilitated to cover and include various categories of mutual fund investors having varied socio-economic profile such as gender, income, age, education. occupation and area of residence so as to ensure representativeness of the society. Primary data were collected using scheduled questionnaire developed after a pilot study. The questionnaire developed for collecting data from individual mutual fund investors was finalized after conducting

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a pilot study among 50 individual mutual fund investors in Ernakulum district. The data collected for the study were tabulated and analyzed using statistical tools like percentage, weighted average mean, standard deviation, rank and T-test.

ANALYSIS & RESULTS

Mutual fund products are investment oriented; there is little scope for flexibility. Product quality is very important for mutual funds. Product planning, product launching, market research, brand, expenses, pricing distribution etc. should take into consideration while mutual fund product designing.

The factors contributing the fund (product) quality are fund performance record, fund reputation or brand name, schemes' portfolio of investment, schemes' expense ratio, withdrawal facilities, favorable rating by rating agencies, innovativeness of the scheme, product with tax benefits ,loads and minimum initial investments. Investors will prefer all or any of the above factors for selecting a particular fund.

First of all the investors were asked to rank which quality of a fund is the most important factor determines the selection of a particular fund. For them fund quality was the prominent factor.

Table 1. Rank for mutual fund qualities

Qualities of Mutual fund	N	Mean	Rank
Fund Quality	900	2.611	1
Fund Sponsor Quality	900	1.844	2
Investor Service	900	1.547	3

Source: Field Survey

Table 2. Rank For Mutual Fund/Product Qualities

Product /Fund Qualities	Mean	Std. Deviation	CV	Rank
Fund Performance Record	4.68	0.56	11.88	1
Minimum Initial Investments	4.35	0.79	18.12	2
Fund Reputation/Brand Name	4.33	0.67	15.4	3
Schemes' Portfolio of investment	4.21	0.74	17.5	4

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Schemes' expense ratio	4.14	0.79	19.21	5
Withdrawal facilities	4.08	0.8	19.65	6
Favorable rating by rating agency	3.96	0.81	20.4	7
Innovativeness of the scheme	3.96	0.83	21.05	8
Product with tax benefits	3.91	0.86	21.88	9
Loads	3.81	0.86	22.72	10

Source: Field Survey

From the table given above shows that the mutual fund qualities of the fund performance record has maximum mean (4.68) so it ranked first followed by minimum initial investement(mean 4.35),fund reputation/brand name(mean 4.33) and so on. The entry loads were abolished by SEBI, so the investors were least concern about loads(mean 3.81).

For analysis purpose, investors were asked to express their opinion about these factors. For this purpose likert scaling technique was used. Investors were asked to rate their opinion by ticking in the five point scale as 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree. The following table shows the rank of mutual fund/product qualities.

The analysis of the rating on the basis of the investors gender as follows:
Gender wise analysis of opinion on the fund quality features
For analysis purpose hypothesis was formulated.

Hypothesis

Ho: thereis no significant relationship between male and female while considering fund sponsor qualities.

H1: there is significant relationship between male and female while considering fund sponsor qualities.

From the table given below, the mean value of the male and female is more for the fund performance record among the all factors. To verify the mean differences obtained in these variables is significant in population or not we conduct the T.test (two sample) and is found to be significant at 5% level.

Since the T table shows that schemes' portfolio of investment, schemes' expense ratio, innovativeness of the scheme, product with tax benefits

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and minimum initial investment were statistically significant, and all other factors were not significant.(table3 on the next page)

CONCLUSION

From the forgoing analysis it can be concluded that,

1. Among the three main qualities of mutual funds, fund/product quality is the prominent one.
2. While ranking the fund quality features, the first rank was given to fund performance record .
3. From the gender wise analysis also the mean value is more for fund performance record among all the factors
4. To verify the mean differences obtained in these variables is significant in population or not we conduct the T test (two sample) and is found to be significant at 5% level.
5. Since the T table shows that schemes' portfolio of investment, scchemes' expense ratio, innovativeness of the scheme, product with tax benefits and minimum initial investment were statistically significant, and all other factors were not significant.

Table3. T- test-Gender wise analysis of Mutual Fund qualities

Table value at 5% significance level is 1.96

Fund Qualities	Gender	N	Mean	Std. Deviation	t	df	Sig. (2-tailed)
Fund Performance record	Male	739	4.6847	0.56012	0.544	898	0.586
	Female	161	4.6584	0.53742			
Fund Reputuation or brand Name	Male	739	4.3396	0.67248	0.501	898	0.616
	Female	161	4.3106	0.64455			
Schemes' portfolio of investment	Male	739	4.2395	0.73308	2.386	898	0.017
	Female	161	4.087	0.74491			
Schemes' expense ratio	Male	739	4.1664	0.8086	2.506	898	0.012
	Female	161	3.9938	0.71149			
withdrawal facilities	Male	739	4.0731	0.81155	-0.199	898	0.842
	Female	161	4.087	0.75325			

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Favourable rating by rating agency	Male	739	3.5729	6.81685	1.529	898	0.494
	Female	161	3.7006	6.96916			
Recommendations of the scheme	Male	739	2.0905	8.83469	2.36	585	0.973
	Female	161	2.3105	8.3.9691			
Product with tax benefits	Male	739	3.5643	8.84443	2.772	898	0.006
	Female	161	3.739	6.33884			
Loads	Male	739	3.797	6.89908	-0.712	898	0.474
	Female	161	2.8263	8.89613			
Minimum initial investment	Male	739	4.3829	8.30819	2.095	898	0.063
	Female	161	4.265	8.39964			

Source: Field Survey.

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INVESTORS' PREFERENCE
FOR MUTUAL FUNDS

Sindhu.K.P

I.INTRODUCTION

Mutual Funds have assumed an important role in Indian capital market for mobilizing funds. Basically mutual fund organizations are fund managers, managing funds of individuals, and bodies who may not sufficient time to cope up with the complexities of various investment instruments, tax laws, corporate performances, stock market behavior or whose savings may not be too small to take advantage of a widely diversified and growth oriented portfolio of the market. Informed investment, safety of funds, dispersal of risk, and a reasonably satisfactory yield are the hallmark of mutual funds. Because of these special features mutual funds become the investment vehicle for all sectors of investors –small, medium and large, risk averse and risk taking individuals as well as institutions. The working of Mutual Funds is also governed by SEBI (Mutual Funds) Regulations 1993. Hence the regulatory frame work, disclosure norms and service standards have made mutual funds an important investor friendly avenue available for investment. Today, mutual fund is a common name to ordinary investors in India. Its operations have also become an integral part of Indian capital market and growth possibilities are numerous.

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II.IMPORTANCE OF THE STUDY

Today there are lots of MF organizations competing each other to view the attention of potential investors as well as to retain the loyalty of present ones. At the same time the investor differ in their choices and preferences of mutual funds. What may suit the need of, one may be of no use to another investor. The services desired by certain investors may, not at all be in consonance with those required by other one. Mutual Fund houses have been striving for higher and higher investment segmentations by bringing in tailored and customized mutual fund schemes. Thus investors have wide options to switch over from one fund to another based on their decision about the performance of the fund. The study conducted mainly for understanding factors influencing investment decision and factors influencing MF investors 'fund/scheme selection.

III.OBJECTIVES

1. To study the saving objectives of MF investors

2. To study the factors influencing mutual fund/scheme selection.

IV.METHODOLOGY

Both primary and secondary data were used for the study Primary data required for the study was collected from individual mutual fund investors in the state. The secondary data source for the study were collected from books, journals, periodicals, publication of various mutual fund organizations. AMFI website, SEBI website, government publications and websites of various mutual fund companies

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All those individuals in Kerala who invest in mutual funds constitute the universe of this study. Multi-stage sampling was adopted for selection of respondents for the study. In the first stage the state of Kerala was divided into three regions namely southern, central and northern regions. In the second stage Thiruvanathapuram district from the southern region, Ernakulum district from the central region and Kozhikode district from the northern region were selected for the study giving due consideration to geographical location. In the third stage these district is divided into three locality viz. rural, semi-urban, urban areas. In the fourth stage, 300 mutual fund investors each from these three districts were selected by using judgment sampling method. Thus, total sample size comes to 900 individual mutual fund investors. Judgment sampling method adopted to select mutual fund investors for the study facilitated to cover and include various categories of mutual fund investors having varied socio-economic profile such as gender, income, age, education, occupation and area of residence so as to ensure representativeness of the society. Primary data were collected using scheduled questionnaire developed after a pilot study. The questionnaire developed for collecting data from individual mutual fund investors was finalized after conducting a pilot study among 50 individual mutual fund investors in Ernakulum district. The data collected for the study were tabulated and analyzed using statistical tools like percentage, weighted average mean, chi-square test and fried man ANOVA, correlation.

V. ANALYSIS & RESULTS
V1. Analysis of saving objectives of MF Investors

People should save money for their future. Depending on your age, different people will come across different Expenses. Usually, people save

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for meeting their contingencies, just to accumulate fund, for constructing house, for purchasing assets, for tax deduction, for providing retirement, for their childrens' education& marriage. The Table 1 exhibits the saving objectives of the mutual fund investors. For the purpose of analyzing saving objectives of mutual fund investors, they were asked to rank the given choices according to their order of preference. From the following table it is clear that the first investment objective is house construction followed by accumulation of fund and so on. They gave very lower rank to retirement benefits (4.032)

Table 1.
Saving objectives of MF Investors

Objective of savings	Mean	Rank
House Construction	6.611	1
To Accumulate Fund	6.455	2
For Marriage of Children	6.053	3
For Children Education	5.862	4
To Purchase Assets	5.216	5
To Meet Contingencies	5.061	6
For Tax Deduction	5.00	7
To provide for retirement	4.032	8

Source: Field Survey.

For verifying whether any significant difference may occur in the order of preference cross analysis were done with gender.

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V.1.A.The Gender wise classification of saving objectives

Table 2 Gender wise classification of Saving Objectives

Saving Objective	Gender			
	Male		Female	
	Mean	Rank	Mean	Rank
To Accumulate Fund	6.374	2	6.859	1
House Construction	6.73	1	5.899	2
To Purchase Assets	5.209	5	5.248	7
For Tax Deduction	4.871	7	5.447	5
For Children Education	5.886	4	5.748	3
For Marriage of Children	6.126	3	5.733	4
To Meet Contingencies	4.962	6	5.439	6
To provide for retirement	4.046	8	3.965	

Source: Field Survey

The ranking in the male are in the order House Construction, To Accumulate Fund, For Marriage of Children, For Children Education, To Purchase Assets, To Meet Contingencies, For Tax Deduction and To provide for retirement. While the order of choice of the females are To Accumulate Fund, House Construction, For Children Education, For Marriage of Children, For Tax Deduction, To Meet Contingencies, To Purchase Assets, and To provide for retirement. The ranking order of the male and female are different except in

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the case of provide for retirement. To test this is significant or not we conduct Friedman repeated measures analysis of variance on ranks and the result is found significant (see the table below).

variable	Chi value	df	Sig.
Saving objectives	1635.101	8	<.001

V.2. Analysis of Factors influencing MF/scheme selection.

The three main factors which influencing the mutual fund/ scheme selection were fund quality(the mutual fund itself), the fund sponsor quality(the providers of the MFs) and the investor services provided by the fund houses.the investors were asked to rank these three according to their order of preference.

Table 3.

Factors influencing MF/scheme selection

Factors influencing MF/scheme selection	N	Mean	Rank
Fund Quality	900	2.611	1
Fund Sponsor Quality	900	1.844	2
Investor Service	900	1.547	3

Source: Field Survey.

The weighted mean for the factors Fund quality is 2.611 and is maximum so it is ranked first similarly the other factors are ranked in order of their mean score. So the Fund sponsors quality and Investor service are in the order second and third.

To cross examine whether any difference in the preference gender wise analysis was also done. Table 4 shows the gender wise analysis of the factors influencing fund/scheme selection.

Table 4

Gender wise analysis of reason for preferring MFs

Factors influencing MF/scheme selection	Gender					
	Male			Female		
	Mean	Rank	N	Mean	Rank	N
Fund Quality	2.641	1	739	2.472	1	161
Fund Sponsor Quality	1.812	2	739	1.994	2	161
Investor Service	1.549	3	739	1.534	3	161

Source: Field Survey

The ranking in the male and female are in the order Fund quality, Fund sponsors quality and investor service.

VI. CONCLUSION

On the basis of the findings of the study the following conclusions can be drawn

1. The majority of the investors saving objectives were in the order of first house construction, followed by to accumulate fund, marriage of children, children education and the least preference for the retirement benefit.

2. Gender wise analysis showed that there is significant difference in the order of preference in the saving objectives

3. The order of preference of the factors influencing the fund /scheme selection is fund quality, fund sponsor quality and investor services.

4. The gender wise analysis also follows the same order.

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A STUDY ON INFLUENCE OF INVESTMENT SPECIFIC ATTITUDES OF INVESTORS ON INVESTMENT DECISIONS

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ABSTRACT

In India, it is the household sector which occupies a position of dominance over the other institutional sectors like private corporate sector and public sector in terms of generating savings. Particularly, savings in financial assets by households are more important from the resource mobilisation point of view, because of their liquidity characteristics compared to physical savings which can be more easily translated into investments. In today's highly volatile capital market environment, mutual funds are looked upon as a transparent and low cost investment avenue. A Mutual Fund is a trust that pools the savings of a number of small investors, in the form of units, who have a common financial goal. The money, thus collected by them is invested in financial market instruments such as shares, debentures, bonds, money market instruments or some combination of these investments in such a way, as to minimise risk, while ensuring safety and a steady return on investment. At the retail level, investors are unique and are highly heterogeneous, and the mutual fund schemes' selection will also differ depends on their expectations. Hence, investors' expectation is a very important factor in this regard that needs to be analysed by all the investment houses. So, the factors that drive the investment decisions of individual investors to meet their expectations by investing money in mutual funds need an in-depth analysis. One of the most influencing factors on mutual fund investment decisions is investment specific attitudes of investors. Hence the present study makes an attempt to analyze the influence of investment specific attitudes of investors on mutual fund investment decisions.

Keywords: Mutual Funds, Investment Decisions, Investment Specific Attitudes, Investors.

Introduction:

In India, it is the household sector which occupies a position of dominance over the other institutional sectors like private corporate sector and public sector in terms of generating savings. If there is higher mobilisation of household savings, it means higher availability of resources in the economy for growth and development. Particularly, savings in financial assets by households are more important from the resource mobilization point of view, because of their liquidity characteristics compared to physical savings which can be more easily translated into investments.

In today's highly volatile capital market environment, mutual funds are looked upon as a transparent and low cost investment avenue. The popularity of mutual funds in India as an investment avenue has increased over time and, as a result, new funds with various types of schemes have mushroomed in a very short period. The resource mobilisation of mutual funds has also been growing at a steady pace over the years. In the Indian capital market, the overall growth and development of various products of mutual funds has already proved to be one of the most catalytic instruments in generating momentous investment growth. In India, in spite of the offering of an exciting retail environment for mutual funds by channelising the savings, participation from the investors in retail segment continue to remain at low levels. As on 31st March 2010, the participation from the retail segment has been only 26.6 per cent and at the end of 31st March 2009 it was only 21.3 per cent. The analysis of data on the contribution of the amount of investments in mutual funds by various sectors of the economy showed that as on 31st March 2010 the corporate sector contributed 51 per cent, banks/financial institutions contributed 3 per cent, Foreign Institutional Investors contributed 19 per cent, and High Net worth Individuals contributed one per cent of their total amount of investments.

It shows thatthe dependence of mutual funds on the corporate sector for investment is pretty high compared to the investments made by the other sectors. Usually the majority of the investors coming under the retail sector in India consist of individual investors. Hence, an attempt to analyse the individual investors' investment in mutual funds has also been made.

Traditionally India enjoys a very high saving rate. It was approximately 34 per cent in financial year ending 31st March 2011 of which household savings in financial assets were around 11.8 per cent. The survey conducted by National Council of Applied Economic Research (NCAER) in 2008 revealed that although Indians have a positive attitude towards increased savings, around 65 percent of savings are with banks or post office deposits and cash at home, 23 per cent are invested in real estate and gold, and only 12 per cent is channelised towards financial Instruments. According to the data available in Karvy Private Wealth Reports, it is revealed that out of the total amount of investments in financial assets, only 3.34 per cent and 3.38 percent cent were made in mutual funds respectively in the financial years ending 31st March 2011 and 31st March 2012 by the individual investors in India. It shows that increase in investments in mutual funds between these two years was only 0.04 per cent. But in developed markets, investments in mutual funds constitute a significant proportion of one's portfolio of investments. Mutual funds play a key role in achieving both the long-term and short-term goals of savings of U.S. households. It represented a significant component of many financial holdings of U.S. households in 2011. In the U. S. A. altogether, 52.3 million households, or 44 per cent of all U.S. households, owned mutual funds in 2011.

Unfortunately, in India it is a fact that most of the investors are not interested in mutual funds. Those who are investing only very small amounts. But what is important to be noted here is that when compared to other financial instruments, investments in mutual funds are safer and also yields more returns on the investment portfolio. Moreover as an investment avenue mutual fund is available for those investors who are not willing to take any exposure directly in the security market. It also helps such investors to build their wealth over a period of time. At the retail level, investors are unique and are highly heterogeneous, and the mutual fund schemes' selection will also differ depends on their expectations. Hence, investors' expectation is a very important factor in this regard that needs to be analysed by all the investment houses. So, the factors that drive the investment decisions of individual investors to meet their expectations by investing money in mutual funds need an in-depth analysis. One of the most influencing factors on mutual fund investment decisions is investment specific attitudes of investors.

The success of any mutual fund, a popular means of investment, depends on how effectively an Asset Management Company has been able to understand the level of influence of this factor on the decision of investors to invest in mutual funds. For a substantial growth in the mutual fund market, there must be a high level precision in the design and marketing of the products of mutual funds taking into account these driving forces by the Asset Management Companies. Therefore, there is a need to conduct a detailed study on investments in mutual funds in this direction. Hence the present study makes an attempt to analyze the influence of investment specific attitudes of investors on mutual fund investment decisions.

Review of Literature:

A review of theoretical and empirical literature pertaining to the topic of the study is an integral part of any research work. Hence, an attempt has been made chapter to present a review of various studies relating to investors' behavior, attitudes and fund selection behavior as reported by experts, professionals and researchers at national and international level. This will help to find out new area hitherto unexplored and to study them in depth.

Ajaz and Gupta (2012) investigated the preferences of investors towards mutual fund schemes. The primary data was collected across the states of Jammu and Kashmir and Punjab. Various statistical tools were applied to the data so collected. The findings of the study revealed that investment returns, perception of investors, information sources, investors valuation, investors objectives and investments decisions have significance impact on retail investors preferences.

Alexander, Jones, and Nigro (1998) analyzed the response from a nation-wide telephone survey of 2000 randomly selected mutual fund investors who purchased shares using the services of six different intermediaries, referred to as distribution channels- brokers, banks, mutual fund companies, insurance companies, employer- sponsored pension plans and others. The survey provided data on the demographic, financial, and fund ownership characteristics of mutual fund investors. Furthermore, it contained data on investors' familiarity with the costs and certain investment risks, associated with mutual funds and the information sources used to learn about these costs and risks.

Capon, Fitzsimons, and Prince (1996) investigated the manner in which consumers made investment decisions for mutual funds. Investors reported that they considered many non-performance related variables. When investors were grouped by similarity of investment decision process, a single small group appeared to be highly knowledgeable about its investments. However, most investors appeared to be naïve, having little knowledge of the investment strategies or financial details of their investments. Implications of mutual fund companies were discussed.

Gupta, Chawla and Harkawat (2011) carried out a study through questionnaire survey in Naranpura are of Ahmadabad, Gujarat. Hypothesis was tested using z-test and Chi-square. The analysis finding suggested that the majority of investors were aware about mutual funds and were willing to invest in mutual fund. Most preferred scheme was balanced fund. The findings also suggested that investment is fixed deposit is more likely to be done than mutual funds. The hypothesis was also proving

that the occupation of the investor is not affected in investment decision for mutual funds.

Leelamma (2004) made an in-depth study of the mutual fund investors specially SBI Mutual Fund investors in Kerala. According to her, the investors of Kerala had been showing keen interest by subscribing to various mutual fund schemes anticipating higher return and capital gains.

Nalini (1996) made an evaluative study of the impact of mutual fund schemes on the deposit mobilization of commercial banks in Kerala for the period of 1987-1994. The study showed that during early the 1990s, when public sector banks entered the mutual fund sector, it affected the deposit mobilisation of commercial banks to a certain extent.

Raju (1993) in his work mentioned that 23 per cent of the population covered, was aware of mutual fund schemes but the awareness level is less than that of government bonds.

Wood and Zaichkowsky (2004) identified and characterized segments of individual investors based on their shared investing attitudes and behavior. A behavioral finance literature review reveals five main constructs that drive investor behavior: investment horizon, confidence, control, risk attitude, and personalization of loss. Ninety individual investors were surveyed via questionnaire on these constructs. Through cluster segmentation analysis, they identified four main segments of individual investors: 1) risk-intolerant traders; 2) confident traders; 3) loss-averse young traders; and 4) conservative long-term investors. Each segment purchased different types of stocks, used different information sources, and had different levels of trading behavior.

Objective of the Study:

To study the influence of investment specific attitude of investors on investment decisions.

Hypothesis:

Ho: There does not exist a positive relationship between the investment specific attitudes of investors and mutual fund investment decisions.

H1: There exists a positive relationship between the investment specific attitudes of investors and mutual fund investment decisions.

Research Methodology:

The present study is descriptive and explanatory in nature. Both secondary and primary data were collected and used for the study. The secondary data source for the study include books, journals, periodicals, publication of various mutual fund organisations, website of AMFI, website of SEBI, government publications and websites of various mutual fund companies. Primary data required for the study were collected from 900 individual investors in Kerala who have investments in mutual funds. Multi-stage sampling was adopted for selection of respondents for the study. Thus, the total sample size of the study comes to 900 individual investors in mutual funds. In order to

achieve the objectives of the study, a well-structured questionnaire was developed. This was for collecting primary data from individual investors in mutual funds. The questionnaire was finalised after conducting a pilot study among 50 individual investors in mutual funds in Ernakulam district. On the basis of the experience from the pilot study, some of the questions were refined with a view to ensuring the correctness of the responses and included in the final questionnaire. A number of experts/consultants in the mutual fund industry have been consulted and their suggestions were incorporated while finalising the questionnaire to ensure the content validity of the instrument. In the present study, the reliability of the scale of measurements used was assessed by using Cronbatch Alpha coefficient, which was above the minimum acceptable level, 0.845 there by confirmed the reliability of the scale of measurement. The questionnaire developed for collecting primary data was administered to 900 individual investors in mutual funds and their responses were collected through filled up questionnaire. The collected data were tabulated and analysed with the help of SPSS. The statistical tools used for analysis include Percentage, Weighted Average Mean, Standard Deviation, and ANOVA.

Results:

Wood R and Zaichkosky J.L (2004) identified five investment specific attitudes namely confidence of investors, risk attitude of investors, investment horizon, personalisation of loss and investment control. For the present study one more investment specific attitude was identified and included namely 'awareness of investors'. The literature review [Raju, G. (1993), Leelamma M (2004)] revealed that lack of awareness of investors on mutual funds was the main reason for low investments in mutual funds.

There were 24 statements altogether under these six heads to know the investment specific attitudes of investors. Reliability was tested for the statements based on Cronbach alpha which is 0.880. Investors were asked to rate these 24 statements at 5 point scale as 5 very important, 4 is important, 3 is somewhat important, 2 is not very important and 1 is not at all important. Based on the responses, the mean were calculated and based on these mean, ranks were assigned to each statements under each dimensions like awareness, confidence, risk attitude of investors, investment horizon, personalisation of loss and investment control as 1, 2, 3...etc. The table 1 shows the investment specific attitudes of mutual fund investors.

Amount of Investments in Mutual Funds:

There are various avenues of investment available for investors to allocate their fund. From the analysis of the risk perception of investors, it is clear that investors are highly

financial conservative. Therefore they prefer efficient portfolio which will give maximum return with minimum risk. As mutual funds ensure a reasonable level of return, it is essential to know how much they invest in mutual funds. The percentage of investment in mutual funds to the total investments was grouped into four namely, less than 25 per cent, 25-50 per cent, 50-75 per cent and 75-100 per cent. To understand the percentage of investments in mutual funds by the investors, they were asked to mention their investments in mutual funds. The table 2 shows the investments in mutual funds by investors.

14.8 per cent are investing in between 50-75 per cent and 51.8 per cent is invested in between 75-100 per cent. So, the majority of the respondents 734 (81.56 per cent) covered under the study are investing 25 per cent and above of their total investments in mutual funds.

In order to know the relation between investment specific attitudes and investment decisions, total scores were calculated by adding the scores of the corresponding statements in each dimensions and that scores were used for analysis. Thus test was carried out to know the influence of investment specific attitudes on investment decisions, which

Table 1: Investment Specific Attitudes of Investors

No	Statements	Mean	S.D.	Rank
	AWARENESS OF INVESTORS			
a	MFs are useful for small investors	4.52	0.71	1
b	MFs are the cheapest way to equity exposure	4.11	0.8	2
c	MFs investment is like owning any other asset	3.94	0.87	3
	CONFIDENCE OF INVESTORS			
d	MF is one of the best investment tools for one who is unable to track the market and manage his stock investment efficiently	3.95	0.89	1
e	Investing in MFs automatically provides necessary diversification of your investment	3.87	0.85	2
f	MFs give higher return than other investments	3.66	0.91	7
g	Equity MF Schemes are specially designed to cater the retail investors desire to invest stock market.	3.78	0.9	5
h	Bank Sponsored and institution sponsored MFs are more secured than private sector MFs	3.82	0.92	4
i	Trading of MF units on stock exchanges will help the investors in elimination of paper work, execution of transaction would be faster and m more convenient manner	3.85	0.86	3
j	Investing online in MFs is just as safe as investing in MFs offline	3.85	0.86	3
k	In terms of cost saving, the abolition of entry load will be beneficial to the investors in the long run	3.85	0.89	3
l	MFs are for all seasons and one need not wait for the market to go up to buy MFs	3.72	0.94	6
	INVESTMENT HORIZON			
m	The best way to make money is to adopt a long-term strategy	3.86	0.93	1
n	The optimum way of reaping benefits in any market cycle would be through a disciplined, regular and long-term investment approach	3.82	0.92	2
o	Money Market Mutual Funds Gilt funds and Liquid funds are good for investors having short-term investment horizon	3.81	0.92	3
	RISK ATTITUDE OF INVESTORS			
p	Choice of mutual fund scheme completely depends on investor's risk profile.	3.87	0.9	3
q	The best way to avoid market timing is through regular investing, or the Systematic Investment plan	3.93	0.88	1
r	Diversification through MFs reduces the risk because the stock in the portfolio of the MF may very rarely decline simultaneously or in the same proportion	3.83	0.88	4
s	Those investors with high risk appetite can choose equity MFs for their investments	3.89	0.91	2
	PERSONALISATION OF LOSS			
t	There is no need to concern about short-term fluctuations in the long-term investments.	3.89	0.93	1
u	Investors should try to make sure that their investments keep pace with inflation	3.86	0.87	2
v	If investors' can break even on an investment, they don't feel they have lost money.	3.69	0.93	3
	INVESTMENT CONTROL			
w	Investors should follow their investment closely	3.97	0.9	1
x	The investor, who has control over his investment, can make his own investment decisions without advice from others.	3.9	0.9	2

Source: Field Survey.

For the present study the amount of investments in mutual funds by the mutual fund investors is considered as mutual fund investment decisions. So an analysis of the same as follows.

Table 2: Amount of Investments in Mutual Funds

Investments in Mutual Funds (Percentage to Total Investments)	Frequency	Percent
less than 25%	166	18.4
25%-50%	135	15.0
50%-75%	133	14.8
75%-100%	466	51.8
Total	**900**	**100**

Source: Field Survey.

From the table 2, it is clear that, out of the 900 investors, 18.4 per cent respondents are investing less than 25 per cent, 15 per cent of the respondents are investing 25-50 per cent,

is exhibited in table 3.

Table 3: Investment Specific Attitudes and Investment Decisions in Mutual Funds

Investment decisions	count	Investment Specific Attitudes	
		Mean score	Standard deviation
less than 25%	166	87.53[c]	11.65
25% -50%	135	87.86[c]	12.93
50% -75%	133	91.60[b]	14.86
75% - 100%	466	97.35[a]	6.06
F-value = 57.554** P <0.001			

Means with same letter as superscript are homogeneous,
** Significant at 0.01 levels;
Source: Field Survey.

One way analysis of variance was carried out for comparing the characteristics of mutual funds and investment decisions of investors. F-value (57.554) was found to be significant at one per cent level indicating that there exists significant difference in the investment specific attitudes and investment decisions. As the F-value was found to be significant, least significant difference test was carried out to find out which of the groups have influence on same investment specific attitudes while mutual fund investments are made. Results show that those who have invested less than 25 per cent and those who have invested 25 to 50 percent have the influence on same investment specific attitudes.

Hence, the result supports and proves the alternative hypothesis stated as:

H1. There exists a positive relationship between the investment specific attitudes of investors and mutual fund investment decisions.

Discussions:

From the forgoing analysis, it can be concluded that, investment specific attitudes of investors has a significant influence on mutual fund investment decisions. If the awareness level of mutual fund investors increases, investments in mutual funds will also increase.

The present study endeavored to bring out the driving force, such as investment specific attitudes of investors behind individual investment decisions. There is a need for the mutual fund companies in India to have a thorough understanding of these driving force and should be given due consideration at the time of design and development of schemes of investments in mutual funds. It is highly necessary that the Asset Management Companies of mutual funds should come out with a range of new innovative products that cater to the ever changing needs and requirements of individual investors and make it more attractive, profitable and most preferred avenue of financial investment.

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