

## **INVESTOR ATTITUDE TOWARDS MUTUAL FUNDS –A STUDY WITH REFERENCE TO PRAKASAM DISTRICT, ANDHRAPRADESH**

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### **ABSTRACT:**

Investment in mutual funds is effected by the attitude of the investors. The objectives of the study are to identify the investor's attitude on mutual funds and to analyze the factors affecting investor's attitude towards mutual fund. The study aims at finding out the attitude of the investors towards investment in mutual funds in PRAKASAM DISTRICT, by adopting random sampling for 200 respondents. The present study analyses the mutual fund investments in relation to investor's behavior. Investors' opinion and perception has 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.

**KEYWORDS: investor's attitude, perception, financial advisors, mutual fund scheme.**

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**INTRODUCTION:**

Savings form an important part of the economy of any nation. With savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents multiple avenues to the investors. Though certainly not the best or deepest of markets in the world, it has ignited the growth rate in mutual fund industry to provide reasonable options for an ordinary man to invest his savings.

Investment goals vary from person to person. While somebody wants security, others might give more weight age to returns alone. Somebody else might want to plan for his child education while somebody might be saving for the proverbial rainy day or even life after retirement. With objectives defining any range, it is obvious that the products required will vary as well.

Mutual funds may invest in many kinds of securities. The types of securities that a particular fund may invest in are set forth in the fund's prospectus, which describes the fund's investment objective, investment approach and permitted investments. The investment objective describes the type of income that the fund seeks. For example, a "capital appreciation" fund generally looks to earn most of its returns from increases in the prices of the securities it holds, rather than from dividend or interest income. The investment approach describes the criteria that the fund manager uses to select investments for the fund.

A mutual fund's investment portfolio is continually monitored by the fund's portfolio\_manager or managers

**REVIEW OF LITERATURE:**

**Anand and Murugaiah (2004)** had studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally.

**Noronha (2007)** has evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure for a period April 2002 - March 2005. The study found that equity, tax plan and index funds offer diversification and are able to earn better returns as compared to sector specific funds.

**Rajeswari and Ramamoorthy (2001)** have conducted a study to understand the factors influencing the fund selection behaviour of 350 MF investors in order to provide some meaningful inferences for Asset Management Companies (AMC) to innovatively design the products.

**Singh (2004)** has established that middle class salaried investors and professionals preferred to have disclosure of net asset value on a day today basis and wanted to invest in MF's in order to get higher tax rebates. Further, it is observed that small investors perceived MF's to be better investment alternative and public sector investments to be less risky.

**Subramanya P R, T P Renuka Murthy(2013)** have conducted a study on investor attitude towards mutual funds found that the investors have a positive attitude towards their investment made in Mutual funds. Majority of the investors prefer Mutual Funds for the returns and feel that it is a safe measure of investment.

#### **SCOPE OF THE STUDY:**

The research study undertaken does not probe too much about whether the respondents have a very fine insight into mutual funds. The research involves only a general study related to the investor's attitude towards mutual funds. The research would reveal results regarding the various factors influencing the investor's attitude on mutual funds and thus in turn, helps the organization to identify the attitude of various investors and to improve the marketing of mutual funds. The study has helped the researcher to gain real time experience by interacting with the investors and has helped to analyze "The attitude of the investors towards Mutual Funds". The study will help for mutual fund companies for further planning.

**OBJECTIVES OF THE STUDY:**

The present study was based on the following objectives

1. To measure the investors attitude towards mutual fund investment.
2. To analyze the investors awareness regarding mutual fund investment.
3. To identify the factors that influences the selection of mutual funds.

**RESEARCH METHODOLOGY:**

To the primary data is collected from the investors who had earned money in mutual funds through investment. All the data required for this analytical study has been obtained mainly from primary sources, but at times, secondary sources of data have also been considered. The data collection method used to obtain the desired information from primary sources has been through direct interview and questionnaire has been used as an instrument.

**SAMPLE SIZE:**

Since the population of mutual fund investors in the study area is quite large and unmanageable, the sample size was confined to 200 investors by using simple random sampling. Utmost care was taken to avoid indifferent investors and minimize sampling errors.

**TOOLS OF ANALYSIS:**

For analyzing the primary data, collecting percentage method, chi - square test, weighted mean, and Henry garret ranking technique were collected. The interview schedule and the tools of analysis were developed in a way to support each other.

**ANALYSIS& DISCUSSION:**

**Table.1: Gender and Attitude towards Mutual Funds.**

S.NO	Gender	No. Of Respondents	percentage	Attitude Level		
				Positive	Neutral	Negative
1	MALE	168	84	40	106	22
2	FEMALE	32	16	8	18	6
	<b>TOTAL</b>	<b>200</b>	<b>100</b>	<b>48</b>	<b>124</b>	<b>28</b>

**Primary data**

**Hypothesis:** There is a negative relationship between the gender and the investors' attitude towards mutual funds.

**Chi-square test of gender and the investors' attitude towards mutual funds:**

Factor	Calculated value	Table value	D.f	Remarks
Gender	0.6593	5.991	2	Not significant

**Primary data**

From the above result of chi-square test, it is seen that the calculated value is lesser than the tabulated value at 5% significant level. Hence it can be concluded that null hypothesis is proved, that is, "There is a negative relationship between the gender and the investors' attitude towards mutual funds". There is a highest positive attitude towards the mutual funds in male against the female.

**Table.2: Age and Attitude towards Mutual Funds.**

S.NO	Age	No. Of Respondents	percentage	Attitude Level		
				Positive	Neutral	Negative
1	Below30	84	42	20	54	10
2	31-40	76	38	19	48	9
3	41-50	32	16	8	21	3
4	Above 50	8	4	1	1	6
	<b>TOTAL</b>	<b>200</b>	<b>100</b>	<b>48</b>	<b>124</b>	<b>28</b>

**Primary data.**

**Hypothesis:** There is a negative relationship between age and the investors' attitude towards mutual funds.

**Chi-square test of age and the investors' attitude towards mutual funds:**

Factor	Calculated value	Table value	D.f	Remarks
Age	0.0216	12.592	6	Not significant

**Primary data.**

From the above result of chi-square test, it is seen that the calculated value is lesser than the tabulated value at 5% significant level. Hence it can be concluded that null hypothesis is proved, that is, "There is a negative relationship between the age and the investors' attitude towards mutual fund investment". There is a highest positive attitude towards the mutual funds in the age group of below 30 against the others.

**Table.3: Marital status and Attitude towards Mutual Funds.**

S.NO	Marital status	No. Of Respondents	percentage	Attitude level		
				Positive	Neutral	Negative
1	Married	124	62	26	78	20
2	Unmarried	76	38	22	46	8
	<b>TOTAL</b>	<b>200</b>	<b>100</b>	<b>48</b>	<b>124</b>	<b>28</b>

**Primary data**

**Hypothesis:** There is a negative relationship between the marital status and the investors' attitude towards mutual fund investment.

**Chi-square test of marital status and the investors' attitude towards mutual funds:**

Factor	Calculated value	Table value	D.f	Remarks
Marital status	0.3088	5.991	2	Not significant

**Primary data**

From the above result of chi-square test, it is seen that the calculated value is lesser than the tabulated value at 5% significant level. Hence it can be concluded that null hypothesis is proved, that is, "There is a negative relationship between marital status and the investors' attitude towards mutual fund investment". There is a highest positive attitude towards the mutual funds are married against the unmarried.

**Table.4: Occupation and Attitude towards Mutual Funds.**

S.NO	Occupation	No. Of Respondents	percentage	Attitude level		
				Positive	Neutral	Negative
1	Professional	72	36	18	45	9
2	Salaried	46	23	9	30	7
3	Business	42	21	8	28	6
4	Retired	40	20	13	21	6
	<b>TOTAL</b>	<b>200</b>	<b>100</b>	<b>48</b>	<b>124</b>	<b>28</b>

**Primary data**

**Hypothesis:** There is a negative relationship between the occupation and the investors' attitude towards mutual fund investment.

**Chi-square test of occupation and the investors' attitude towards mutual funds:**

Factor	Calculated value	Table value	D.f	Remarks
Occupation	0.803146	12.592	6	Not significant

**Primary data.**

From the above result of chi-square test, it is seen that the calculated value is lesser than the tabulated value at 5% significant level. Hence it can be concluded that null hypothesis is proved, that is, "There is a negative relationship between occupation and the investors' attitude towards mutual fund investment". There is a highest positive attitude towards the mutual funds among the respondents whose occupation is professionals against the others.

**Table.5. Education and Attitude towards Mutual Funds.**

S.NO	Education	No. Of Respondents	percentage	Attitude Level		
				Positive	Neutral	Negative
1	SSC	24	12	5	15	4
2	INTER	58	29	17	34	7
3	UG	92	46	23	58	11
4	PG	26	13	3	17	6
	<b>TOTAL</b>	<b>200</b>	<b>100</b>	<b>48</b>	<b>124</b>	<b>28</b>

**Primary data.**

**Hypothesis:** There is a negative relationship between level of education and investors' attitude towards mutual fund investment.

**Chi-square test of education and the investors' attitude towards mutual funds:**

Factor	Calculated value	Table value	D.f	Remarks
Education	0.5755	12.592	6	Not significant

**Primary data**

From the above result of chi-square test, it is seen that the calculated value is lesser than the tabulated value at 5% significant level. Hence it can be concluded that null hypothesis is proved, that is, "There is a negative relationship between level of education and the investors' attitude towards mutual fund investment". There is a highest positive attitude towards the mutual funds among the graduate respondents against the others.

**TABLE.6: Annual income and Attitude towards Mutual Funds.**

S.no	Annual income	No. Of Respondents	percentage	Attitude Level		
				Positive	Neutral	Negative
1	Below 1,00,000	42	21	8	28	6
2	1,00,001-2,00,000	128	64	33	78	17
3	2,00,001-3,00,000	24	12	6	14	4
4	Above 3 lakhs	6	3	1	4	1
	<b>TOTAL</b>	<b>200</b>	<b>100</b>	<b>48</b>	<b>124</b>	<b>28</b>

**Primary data.**



**Hypothesis:** There is a negative relationship between annual income and the investors' attitude towards mutual fund investment.

**Chi-square test of annual income and the investors' attitude towards mutual funds:**

Factor	Calculated value	Table value	D.f	Remarks
Annual income	0.97743	12.592	6	Not significant

**Primary data.**

From the above result of chi-square test, it is seen that the calculated value is lesser than the tabulated value at 5% significant level. Hence it can be concluded that null hypothesis is proved, that is, "There is a negative relationship between annual income and the investors' attitude towards mutual fund investment". There is a highest positive attitude towards the mutual funds having annual income of 1, 00,001-2, 00,000 against the others.

**Table.7: Annual savings and Attitude towards Mutual Funds.**

S.NO	Annual Savings	No. Of Respondents	percentage	Attitude Level		
				Positive	Neutral	Negative
1	Below 1,00,000	144	72	31	91	22
2	1,00,001-2,00,000	40	20	8	28	4
3	2,00,001-3,00,000	12	6	8	3	1
4	Above 3 lakhs	4	2	1	2	1
	<b>TOTAL</b>	<b>200</b>	<b>100</b>	<b>48</b>	<b>124</b>	<b>28</b>

**Primary data**

**Hypothesis:** There is a negative relationship between annual savings and the investors' attitude towards mutual fund investment.

**Chi-square test of annual savings and the investors' attitude towards mutual funds:**

Factor	Calculated value	Table value	D.f	Remarks
Annual savings	0.02777	12.592	6	Not significant

**Primary data.**

From the above result of chi-square test, it is seen that the calculated value is lesser than the tabulated value at 5% significant level. Hence it can be concluded that null hypothesis is proved, that is, "There is a negative relationship between annual savings and the investors' attitude towards mutual fund investment". There is a highest positive attitude towards the mutual funds having annual savings of below 1, 00,000 against the others.

**Table - 8: INFORMATION SOURCES INFLUENCING THE SCHEME SELECTION**

Attributes	I(W=4)	II(W=3)	III(W=2)	IV(W=1)	Total	Total score	WMV	Rank
Friends suggestion	110	62	16	12	200	670	67.0	1
Brokers/ agents	8	57	75	60	200	473	47.3	3
Advertisement	16	50	62	72	200	410	41.0	4
Self decision	76	50	34	40	200	562	56.2	2

**Primary Data; W=Weightage ; WMV=Weighted Mean Value.**

**Information sources:** It can be observed from Table-8 that the most influencing information source for scheme selection is friend's suggestion. The other sources influencing scheme selection in the importance's are self decision, broker recommendations and advertisements.

**Table – 9: FACTORS THAT INFLUENCING THE SELECTION OF MUTUAL FUNDS.**

<b>Factors</b>	<b>Total score</b>	<b>Mean score</b>	<b>Rank</b>
		Fund/scheme performance record	12850
Fund/scheme brand name	11560	57.80	<b>II</b>
Scheme expense ratio	11134	55.67	<b>III</b>
Scheme portfolio constituents	8928	44.64	<b>VIII</b>
Reputation of schemes portfolio managers	10544	52.72	<b>VII</b>
Withdrawal facilities	10874	54.37	<b>IV</b>
Rating by a rating agency	8032	40.16	<b>IX</b>
Innovativeness of the scheme	10808	54.04	<b>V</b>
Products with tax benefits	10596	52.98	<b>VI</b>
Entry and exit load	4434	22.17	<b>X</b>

**Source: primary data**

From the above analysis it is evident that the Garrett Mean score of 64.25, for the fund /scheme performance record is the top most factors which influence the investment decision of the respondents, followed by the mean score of 57.80 and 55.67 for the brand name and scheme expense ratio. It is followed by the factors like withdrawal facilities and Innovativeness of the scheme with the Garrett mean score of 54.37 and 54.04. Also the other factors which influence the investor attitude while investing on mutual funds as Garrett mean scores of 52.98, 52.72 and 44.64 are products with tax benefits, and reputation of scheme portfolio and scheme portfolio constituents. With the Garrett mean score of 40.16 and 22.17 for rating by a rating agency and entry and exit load found to be the last ranks of order as influencing the investor attitude on mutual fund schemes are concerned.

**CONCLUSION:**

The research study “Investors attitude towards Mutual funds is found that the investors have a positive attitude towards their investment made in Mutual funds. The investors consider variables like fund/scheme performance record, fund/scheme brand name, scheme expense ratio, with drawl facilities, innovativeness as their five important factors in their selection of mutual funds. These variables are mainly influence the fund/scheme qualities on scheme selection of investors. As far as the socio economic variables are not influencing the attitude of investors. The study has helped the researcher gain real time knowledge and will help users to analyze the attitude of the investors.

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