FACTORS DETERMINING INVESTMENT DECISIONS IN EQUITY AND MUTUAL FUNDS: A CASE STUDY OF ODISHA

Dr. Kishore Kumar Das[*]

ABSTRACT

Mutual funds are financial intermediaries, which collect the savings of investors and invest them in a large and well-diversified portfolio of securities such as money market instruments, corporate and Government bonds and equity shares of joint stock companies. This facilitates to take the full benefits of diversification. Though individual investor's participation in equity and mutual funds is increasing in the last four years but still the participation of retail investors in the capital market and mutual funds is very thin in case of ODISHA when compared with other states in the country. So, the objective of the study is to analyse the factors determining the investment decision in equity and mutual funds industry. The researcher has used both primary and secondary data. Primary data has been collected from the respondents using structured questionnaire. Secondary data has been collected from sources like books, magazines, newspapers, websites etc. The study reveals factors like age, qualification and occupation, investment in equity, preference of equity over mutual funds, preference of mutual funds over equity and investor's problems influence investment decision of investors.

Keywords: Capital market, Mutual fund,Equity funds,Diversified portfolio,Investment decision

[*] **Associate Professor & Dean - School of Commerce & Management, Ravenshaw University, Cuttack**

1.1 INTRODUCTION

The stock market is one of the most vital and dynamic sectors in the financial system making an important contribution to the economic development of a country. Small Investors contribute a major portion of the capital market. Institutional investors are capable of understanding the intricacies involved in the stock market activities but the retail investors lack adequate awareness about it. As the bulk of the savings of the country generally emanate from the households, and the retail investor is still the major source of risk capital to upcoming enterprises, to undertake new industrial activities, the capital market cannot grow without their participation directly or indirectly. In India, to encourage, enhance and safeguard retail investor participation and to make the markets more efficient, a number of reforms have been initiated by the Security Exchange Board of India (SEBI). As small investors find it difficult to participate directly in the capital market to a significant extent, SEBI encourages mutual fund industry to offer innovative products to suit the risk appetite of the retail investors. In spite of all the efforts taken by SEBI to attract and enhance retail investor participation, growth and penetration in equity and mutual funds are low as compared to other advanced countries. Although various measures are taken by the various regulatory bodies, the growths for these instruments are from only T-15 cities. People in other cities still have inhibitions about equity and mutual funds.

1.2 STATEMENT OF PROBLEM

Individual investors are facing many problems while investing in equity shares and mutual funds. These instruments failed to provide liquidity, safety and expected return on investment to the small investors in India. They are also facing a lot of problems in fund selection, scheme selection, stock selection etc. The manipulation practices of market participants like share brokers and company promoters have aggravated their grievances. It hampers the confidence of investors on these instruments, which adversely affect the economic development of the country. So, investors need to be guided towards buying products which will fulfill their long term goals and also match their risk-taking appetite.

1.3 OBJECTIVE OF THE STUDY

The objectives of the study is to

• To analyse the preference of investors towards equity and mutual funds.

- To trace out the various significant factors influencing the investment decisions of the investors.

1.4 REVIEW OF LITERATURE

Sikidar& Singh (1996)[1] Studied the behavioural aspect of investors of the North Eastern region towards equity and mutual funds investment portfolio. They found that, salaried and self employed were the major investors of mutual funds due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds were not as successful during the time when survey was undertaken.

SEBI – NCAER Survey (2000)[2] was carried out to estimate the number of households 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 is a unique and comprehensive study of Indian Investors, for which data was collected from 30,00,000 geographically dispersed rural and urban households. They found that bank deposits have a high preference among all income classes. 60% households apparently lack of awareness about stock market. Higher income group has more awareness about mutual funds than lower income group.

Bodla B. S., Bishnoi Sunita (2008)[3] have found in their study that the mutual fund investors in India at currently have as many as 609 schemes with variety of features such as dividend, growth, cumulative interest income, monthly income plans, sectoral plans, equity linked schemes, money market schemes, etc. Both open-end and close-end schemes have registered phenomenal growth in fund mobilization. Portfolio-wise analysis shows that income schemes assets under management is more than growth schemes. Moreover UTI's share in total assets under management has declined from 11.8 percent in 2006 from 82.5 percent in 1998.

Jaspal Singh and subhash chandler, (2011)[4], in this research, the authors explore that due to the decrease in interest rates on investments like PPF, NSC, bank deposits, etc., can mutual funds be the preferred option of the small investors? The authors feel that in the current scenario, the best alternative is to invest in capital markets through mutual funds. This helps the investor to reduce their risk over direct investment in equity. Considering the state of mind of the common

category of investor, this article shows some valid instances: (i) the preference attached to different investment avenues by the investors and the preference of mutual funds schemes over others for investment purpose. (ii) The source from which the investor gets information about mutual funds. Hence, the basic mentality of an Indian investor, who still prefers to keep his savings in the form of gold, is indicated. Investors belonging to the salaried category, and in the age group of 20-40, years showed inclination towards (equity-oriented) schemes over the other types of schemes.

Pritam P. Kothari &Shivganga C. Mindargi (2013)[5], this article analyzes the impact of different demographic variables on the attitude of investors towards mutual funds. Apart from this, it mainly focused on the benefits delivered by mutual funds to investors. For this purpose, 200 respondents of Solapur City, having different demographic profiles were surveyed. The study concluded that the majority of investors have still not formed any attitude towards mutual fund investments.

Karuna Bajaj (2016)[6] With an aim to improve mutual fund investments from smaller cities, in the year 2012 SEBI issued a mandate stipulating minimum level of investment from "beyond - 15" cities (B-15, tier II and tier III cities). On this premise a study was conducted to understand awareness and knowledge about mutual funds (MF) amongst residents of Jabalpur district. A questionnaire was circulated amongst 200 educated individuals to assess the level of penetration of mutual funds, and understand attitude of investors in Jabalpur region. The influence of demographic variables such as gender, age, educational qualification and profession on the extent of knowledge about mutual funds was assessed with the use of one way ANOVA test. It was concluded that the preference for mutual fund was influenced by age and occupation as determining variables. The study concludes that AMCs (asset management companies) should educate investors about mutual funds through regular awareness programs.

1.5   RESEARCH METHODOLOGY

This research is limited to equity and mutual funds in Odisha region only. The statistical data includes both primary data and secondary data. Primary data was collected from primary sources by preparing structured questionnaires, by personal contact with the investors, different broking

firms, and other relevant information was collected from secondary sources like books, magazines, newspapers, websites etc. A random sample of 250 investors is taken as respondents who are residing in Cuttack and Bhubaneswar. The secondary data for the purpose has been collected mainly from the different broking firms and regulatory authorities like SEBI and respondent investors on various investment alternatives of the Cuttack and Bhubaneswar. Data has been analyzed with help of Chi Square, ANOVA, and other statistical and management tools.

1.6 HYPOTHESIS

Hypothesis 1: Investment decisions in equity and mutual funds are not significantly influenced by the age, qualification and occupation of the investors.

Hypothesis2: Investment decisions in equity and mutual funds are not significantly influenced by the income of the investors.

Hypothesis 3: Past performance of the scheme does not have any significant relation with the present investment decision.

Hypothesis 4: Equity and mutual funds are the attractive investment option if their problems are properly addressed.

Hypothesis 5: Broking firm perditions are the sole criteria for investment in equity and mutual funds.

1.7 HYPOTHESES TESTING:

Hypothesis 1: Investment decisions in equity and mutual funds are not significantly influenced by the age, qualification and occupation of the investors.

Table 1: ANOVA Between Age Groups						
		Sum of Squares	df	Mean Square	F	Sig.
Factor1	Between Groups	87.449	3	29.150	58.840	.000
	Within Groups	108.989	220	.495		
	Total	196.438	223			
Factor2	Between Groups	61.106	3	20.369	62.598	.000
	Within Groups	71.586	220	.325		

	Total	132.692	223			
Factor3	Between Groups	44.106	3	14.702	70.474	.000
	Within Groups	45.895	220	.209		
	Total	90.000	223			
Factor4	Between Groups	36.180	3	12.060	63.278	.000
	Within Groups	41.930	220	.191		
	Total	78.110	223			
Factor5	Between Groups	14.136	3	4.712	11.378	.000
	Within Groups	91.109	220	.414		

Source: compiled from Primary data

The above table studies the study relationship of 5 different factors and age of the respondents. In determining the relationship, a one way ANOVA was used. An attempt has been made to find out whether the observed differences are statistically significant or not. The first factor saving and investment pattern of investment as a determinant across the various age groups $F(3,220)=58.840$, p = .000 . Therefore the relationship between age and investment pattern is insignificant at 5 per cent significance level. The second factor investment in equity as a determinant across the various age groups F $(3,220)$ =62.598, p = .000 . Therefore the relationship between equity investment and age is insignificant at 5 per cent significance level. The third factor preference of equity over mutual funds as a determinant across the various age groups F $(3,220)$ =70.474, p = .000. Therefore the relationship is insignificant at 5 per cent significance level. The fourth factor preference of mutual funds over equity as a determinant across the various age groups F $(3,220)$ = 63.278, p = .000. Therefore the relationship is insignificant at 5 per cent significance level. The last factor investor's problems as a determinant across the various age groups F $(3,220)$ =11.378, p = .000. Therefore the relationship is insignificant at 5 per cent significance level. So, the investment in equity and mutual funds not influenced by the age of the investors.

Table 2: ANOVA (qualification)

		Sum of Squares	df	Mean Square	F	Sig.
Factor1	Between Groups	89.780	2	44.890	93.014	.000
	Within Groups	106.658	221	.483		
	Total	196.438	223			
Factor2	Between Groups	52.936	2	26.468	73.342	.000
	Within Groups	79.756	221	.361		
	Total	132.692	223			
Factor3	Between Groups	42.563	2	21.282	99.147	.000
	Within Groups	47.437	221	.215		
	Total	90.000	223			
Factor4	Between Groups	32.874	2	16.437	80.305	.000
	Within Groups	45.235	221	.205		
	Total	78.110	223			
Factor5	Between Groups	2.492	2	1.246	2.680	.071
	Within Groups	102.753	221	.465		

Source: compiled from Primary data

The first factor saving and investment pattern of investment as a determinant across the educational qualification F (2,221) =93.014, p = .000. Therefore the relationship between education and investment pattern is insignificant at 5 per cent significance level. The second factor investment in equity as a determinant across the various educated groups F (2,221) =73.342, p = .000. Therefore the relationship between equity investment and education is insignificant at 5 per cent significance level. The third factor preference of equity over mutual funds as a determinant across the various educated groups F(2,221)=99.147, p = .000 . Therefore the relationship between preference of mutual funds over equity is insignificant at 5 per cent significance level. The fourth preference of mutual funds over equity as a determinant across the various educated groups F (2,221) = 80.305, p =.000. Therefore the relationship is insignificant at 5 per cent significance level. The last factor investor's problems as a determinant across the

various educated groups F (2,221) =2.680, p = .071. Therefore the relationship is significant at 5 per cent significance level. All the five factors except the problem of investors and education are insignificant at the 5% level of significance.

Table 3 ANOVA (Occupation)

		Sum of Squares	df	Mean Square	F	Sig.
Factor1	Between Groups	105.095	4	26.274	62.993	.000
	Within Groups	91.343	219	.417		
	Total	196.438	223			
Factor2	Between Groups	65.961	4	16.490	54.118	.000
	Within Groups	66.731	219	.305		
	Total	132.692	223			
Factor3	Between Groups	47.630	4	11.908	61.548	.000
	Within Groups	42.370	219	.193		
	Total	90.000	223			
Factor4	Between Groups	39.695	4	9.924	56.573	.000
	Within Groups	38.415	219	.175		
	Total	78.110	223			
Factor5	Between Groups	19.303	4	4.826	12.297	.000
	Within Groups	85.942	219	.392		
			223			

Source: compiled from Primary data

The first factor saving and investment pattern of investment as a determinant across the various income groups F (4,219)=62.993, p = .000 . Therefore the relationship between occupation and investment pattern is insignificant at 5 per cent significance level. The second factor investment in equity determinant across the various occupations F (4,219) =54.118, p =.000. Therefore the relationship between equity investment and occupation is insignificant at 5 per cent significance level. The third factor preference of equity over mutual funds as a determinant across the

various occupations F (4,219) =61.548, p = .000. Therefore the relationship is insignificant at 5 per cent significance level. The fourth preference of mutual funds over equity as a determinant across the various occupations F (4,219) =56.573, p = .000. Therefore the relationship is insignificant at 5 per cent significance level. The last factor investor's problems as a determinant across the various occupations F (4,219) =12.297, p = .000. Therefore the relationship is insignificant at 5 per cent significance level

Hypothesis2: Investment decisions in equity and mutual funds are not significantly influenced by the income of the of investors

Table 4: ANOVA (Income)

		Sum of Squares	df	Mean Square	F	Sig.
Factor1	Between Groups	78.382	3	26.127	48.688	.000
	Within Groups	118.057	220	.537		
	Total	196.438	223			
Factor2	Between Groups	49.492	3	16.497	43.622	.000
	Within Groups	83.200	220	.378		
	Total	132.692	223			
Factor3	Between Groups	38.024	3	12.675	53.648	.000
	Within Groups	51.977	220	.236		
	Total	90.000	223			
Factor4	Between Groups	29.611	3	9.870	44.775	.000
	Within Groups	48.498	220	.220		
	Total	78.110	223			
Factor5	Between Groups	18.695	3	6.232	15.840	.000
	Within Groups	86.550	220	.393		
	Total	105.246	223			

Source: compiled from Primary data

The first factor saving and investment pattern of investment as a determinant across the various income groups F (3,220) =48.688, p = .000. Therefore the relationship between income and investment pattern is insignificant at 5 per cent significance level. The second factor investment in equity determinant across the various income   groups F (3,220) = 43.622, p = .000. Therefore the relationship between equity investment and income is insignificant at 5 per cent significance level. The third factor preference of equity over mutual funds as a determinant across the various income groups F (3,220) = 53.648, p = .000. Therefore the relationship is insignificant at 5 per cent significance level. The fourth preference of mutual funds over equity as a determinant across the various income   groups F (3,220) = 44.775 p = .000. Therefore the relationship is insignificant at 5 per cent significance level. The last factor investor's problems as a determinant across the various income groups

F (3,220) =15.840, p = .000. Therefore the relationship is insignificant at 5 per cent significance level

Hypothesis 3: Past performance of the scheme does not have any significant relation with the present investment decision.

From the questionnaire 135 respondents (62% respondents) feel past performance is highly important while making the investment decision. 72 respondents (33%) feel past performance is important. 10% of the respondents given 3rd rank for this. But from the sample study only 54% (122 respondents) has really observed the past performance of the scheme.

Table 5. Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
VAR00006 * VAR00007	223	99.6%	1	0.4%	224	100.0%

Source: compiled from Primary data

Table 6 VAR00006 * VAR00007 Cross tabulation

Count

		VAR00007					Total
		1.00	2.00	3.00	4.00	5.00	
VAR00006	1.00	16	18	3	0	2	39
	2.00	30	66	19	6	0	121
	3.00	5	27	7	4	0	43
	4.00	0	11	2	2	1	16
	5.00	0	2	1	1	0	4
Total		51	124	32	13	3	223

Source: compiled from Primary data

Table 7 Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.495[a]	16	.009[b]
Likelihood Ratio	36.530	16	.002[b]
Fisher's Exact Test	32.793		
Linear-by-Linear Association	13.224[c]	1	.000[b]
N of Valid Cases	223		
Source: compiled from Primary data			
a. 14 cells (56.0%) have expected count less than 5. The minimum expected count is .05.			
b. Based on 10000 sampled tables with starting seed 624387341.			
c. The standardized statistic is 3.636.			

It is convention that if this value is less than .05, then the statistic is considered to be significant (meaning that the researcher can be 95% confident that the relationship between the two variables is not due to chance). In this case, since the Sig. value is .009 (which is greater than

.05), we can say that Past performance of the scheme does not have any significant relationship with that of current investment decision. Hence the hypothesis is accepted. The past performance does not have any significant relation in the present investment decision.

Hypothesis 4: equity and mutual funds are the attractive investment option if their problems are properly addressed.

Table 8. Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
VAR00009 * VAR00011	223	99.6%	1	0.4%	224	100.0%

Source: compiled from Primary data

Table 9. VAR00009 * VAR00011 Cross tabulation

Count

		VAR00011					Total
		1.00	2.00	3.00	4.00	5.00	
VAR00009	1.00	13	14	9	1	1	38
	2.00	11	71	20	7	1	110
	3.00	1	17	11	6	0	35
	4.00	3	12	8	6	2	31
	5.00	0	2	1	1	5	9
Total		28	116	49	21	9	223

Source: compiled from Primary data

Table 10 Chi-square Test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	101.624[a]	16	.000
Likelihood Ratio	59.934	16	.000

Fisher's Exact Test	55.558		
Linear-by-Linear Association	32.827[c]	1	.000
N of Valid Cases	223		

Source: compiled from Primary data

From the sample data analysis 181 respondents (81%) feel that equity and mutual funds provide good return than the traditional investment options. If the problems are addressed properly they are the one of the good investment avenues. It is convention that if this value is less than .05, then the statistic is considered to be significant (meaning that the researcher can be 95% confident that the relationship between the two variables is not due to chance). In this case, since the Sig. value is .000 (which is less than .05). So, the hypothesis is rejected. So, equity and mutual funds are attractive investment option if their problems are addressed properly is rejected.

Hypothesis 5: Broking firm perditions are the sole criteria for investment in equity and mutual funds.

Table 11.Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
VAR00011* VAR00013	223	99.6%	1	0.4%	224	100.0%

Source: compiled from Primary data

Table 12. VAR00011 * VAR00013 Cross tabulation

Count

		VAR00013					Total
		1.00	2.00	3.00	4.00	5.00	
VAR00011	1.00	13	10	5	0	0	28
	2.00	21	81	9	5	0	116
	3.00	10	19	12	7	1	49
	4.00	0	9	8	4	0	21
	5.00	0	3	2	3	1	9
Total		44	122	36	19	2	223

Source: compiled from Primary data

Table 13 Chi-square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square			
Likelihood Ratio			
Fisher's Exact Test	60.029		
Linear-by-Linear Association	38.517[c]	1	.000
N of Valid Cases	223		

Source: compiled from Primary data

From the sample study it was found that 104 respondents (47%) respondents found fully guided by their brokers. 119 respondents (53%)that they were not fully followed by their broker. For the question of ranking of the broker which starts with rank1 highly satisfied to 5 highly dissatisfied. 119 respondents have given rank 3 to their broker. Rank 1 was given by only 12 respondents. For the question of investment in equity entirely based on broker's advice, only 41 respondents(18%) agreed. 115 respondents(51%) invest not entirely based on broker's advice. 68 respondents sometimes they follow broker's advice. . It is convention that if this value is less than .05, then the statistic is considered to be significant (meaning that the researcher can be 95% confident that the relationship between the two variables is not due to chance). In this case, since the Sig. value is .000 (which is less than .05). So, the hypothesis is rejected. So, broking firm predictions are the sole criteria for investment in equity and mutual funds.

1.8   FINDINGS AND CONCLUSION

The researcher has taken factors like age, qualification and occupation, investment in equity, preference of equity over mutual funds, preference of mutual funds over equity and investor's problems to study whether investment decisions in equity and mutual funds are significantly influenced by the age, qualification and occupation of the investors. The result shows the investment in equity and mutual funds not influenced by the age of the investors. All the five factors except the problem of investors and education are insignificant at the 5% level of significance. There is no significant relationship between investment in equity and mutual funds and occupation of the investors. The past performance does not have any significant relation in the present investment decision. Equity and mutual funds are attractive investment option if their

problems are addressed properly is rejected. Broking firm predictions are the sole criteria for investment in equity and mutual funds. So, it is concluded that Mutual Fund Company should try to aware the public about the benefits of mutual funds and convince them to invest appropriately.

REFERENCE

Sikidar S. and Singh A. P., "Financial Services: Investment in Equity and Mutual Funds– A Behavioural Study, in Bhatia B.S., and Batra G. S., ed.", Management of Financial Services, Deep and Deep Publications, New Delhi, Chapter 10, 136-145, 1996

1. SEBI – NCAER (2000). Survey of Indian Investors, SEBI, Mumbai KavithaRanganathan (2006) has examined the related aspects of the fund selection behavior of individual investors towards mutual funds, in the city of Mumbai

2. Bodla, B. S., Bishnoi, S. (2008). "Emerging trends of mutual funds in India: A study across category and type ofschemes", The Journal of Indian Management & Strategy, Vol. 13(1)

3. Jaspalsingh and subhashchander, "Investors' preference for Investment in mutual Funds: An Empirical Evidence," The ICFAI Journal of Behavioral Finance, March 2010 PP: 7-17.

4. Pritam P. Kothari &Shivganga C. Mindargi (2013), ―A Study of Investors Attitude towards Mutual Fund with special reference to Inversotrs in Solapur City‖, International Journal of Accounting and Financial Management Research (IJAFMR), Vol. 3, No. 2, Pp. 1–12.

5. Karuna Bajaj (2016) "Awareness & Attitude towards Mutual Funds in Sangli Region– A Critical Study" International Journal of Emerging Research in Management &Technology ISSN: 2278-9359 (Volume-5, Issue -7),2016, pp 60-64.