

A Critical Review of Empirical Findings on Perception of Mutual Funds Investors

Chaitra S.B.^{1*}, Suman Chakraborty¹

¹Faculty of Management and Commerce, M.S. Ramaiah University of Applied Sciences, Bangalore 560054

*Contact Author E-mail: sbchaitra1@gmail.com,

Abstract

Mutual Fund Industry in India has developed rapidly and gained a lot of popularity from the past couple of decade especially after incorporation of UTI in 1964, so it is very much important to know about the investors' behavior towards mutual funds and which of the modes they prefer to get knowledge about mutual fund hence to make the above discussion more stronger the study was done to make it as evidence so, with respect to the topic concerned 30 research papers are taken and two thesis papers has been studied where in all the papers are of Indian Authors In the area of factors influencing the investors behavior while investing in, and withdrawing from mutual fund has covered by very few researchers where in here are some of the authors who worked on this area and came up with good result these papers are taken from well know and reputed indexed journals in finance the papers were accessed from EBSCO, SSRN, National Digital Library, Shodhganga and many more. This assemblage of reviewed research papers will be useful to the academic and research fraternity as well as asset management companies to know about the investor's behavior regarding investing in mutual fund schemes. Study found two important variable which is very significant in capturing the investor's perception, namely perception on withdrawing from fund and factors which preventing to invest.

Keywords: Mutual Funds, Asset Management Companies, Perception Analysis

1. INTRODUCTION

The overall growth of the Indian capital market has been phenomenon since from liberalization. This growth has converted the attitude of individual investors towards investment in capital market. The financial modernization in the form of mutual funds has inspired retail investors to invest in the capital market. The household financial savings canalized into the capital market by the mutual funds is a small fraction but the growth of mutual fund industry is significant to the Indian economy and has become an attraction for foreign money managers [1]. The growth and development of various mutual fund products in the Indian capital market is due to a high level of precision in the design and marketing of variety of mutual fund products by banks and other financial institutions providing growth, liquidity and return [2] for the individual investor. Perception is another important element that is responsible for the shift in the investment pattern of the investor from traditional investments to Modernization investment instruments. The individual persons thinking and perception activates by various inputs or the information acquired through physical factors, social and cultural factors, Political factors, technologies and mechanical factors, environmental factors and the international factors. For example, in the financial sense the overall market timing capabilities of the managers depend on how informed they are of the market movement and their macro forecasting abilities to yield positive returns. The timing abilities of the managers are influenced by their perception depending on the information availability.

Hence, ability to acquire knowledge and arranging information in order depends upon the use of reasoning, institution and perception of the individual regarding the situation. Perception is not necessarily just what one sees with his own eyes or what one listens with his own ears. Perception is a unique interpretation of the situation, not

an exact recording of it. Investors differ in their perception of risk, return, and other essentials of investments.

With the individual differences in perceptions and availability of a wide range of investment opportunities, we document that investors prefer different decision methods while purchasing or while withdrawing any of the mutual funds. For instance: some investors mainly chose the funds based on the past performance and recent performance to judge the fund's future prospects thus by this it reflects that investors predominantly chase past performance and another popular factor is that over half of all purchases occur in funds that rank in the top quintile of past annual returns, hence the investors while buying mutual funds this factor act as though past returns predict future performance. The investors' decision making is always guided by the alteration in these factors. The optimum portfolio composition will generally differ among investors. It will depend on both, their tastes and their preferences that find out their predictable utility from return and risks. But still there are so many question that needs to be answered are:

- How do the investors choose a particular alternative for investment?
- What are the factors that influence the choice of investment?
- What are the factors which make the existing investors to withdraw?

This compilation of literature review paper will be helpful to understand the perception of individual investors investing in mutual fund schemes.

2. OBJECTIVE OF THE STUDY

In the area of factors influencing the investors behavior while investing, while withdrawing from mutual fund has covered by very few researchers, where in no such



work is addressed by any of the researchers i.e. factors which prevents the investors' to invest hence the study is going to give clear pictures to the asset management companies to know about the investors behavior regarding investing in, withdrawing from and preventing from.

- To explore factors influencing the investors to invest in mutual fund schemes as documented in existing surveyed literatures
- To review previous empirical findings on the causal relationship between investment in mutual funds and withdrawal from the invested schemes
- To review the related empirical findings on the factors responsible for enhancing the investment in mutual funds by retail investors
- To ascertain the gap in the existing scholarly work and suggest future scope of research work in the area which is not yet addressed

3. RESEARCH METHODOLOGY

The study deals with the behavior of investors' who get influence for certain factors while investing in mutual fund while withdrawing from mutual fund and preventing from investing in mutual fund with respect to the topic concerned 30 research papers are taken and 2 thesis papers has been studied where in all the papers are of Indian Authors In the area of factors influencing the investors behaviour while investing, while withdrawing and preventing from mutual fund has covered by very few researchers where in here are some of the authors who worked on this area and came up with good result these papers are taken from well know and reputed indexed journals in finance the papers were accessed from EBSCO, SSRN, National Digital Library, Shodhganga and many more. The literature reviews are categorized into four based on the work specification. These are:

- Review of Scholarly paper on factors influencing the investors' to invest in mutual fund
- Review of Scholarly paper on factors influencing the investors' behavior on investing and factors influencing the investors' behavior on withdrawing
- Review of Scholarly paper on changing investors' behavior on selection of mutual fund schemes
- Review of Scholarly paper on investors' perception on selection of mutual fund schemes, Therefore this study is done based on the papers reviewed

4. REVIEW OF LITERATURE

In the area of behavioral finance, significant empirical work has been documented to identify factors influencing the investor's behaviour while investing. In this review paper, an attempt has been made to explore perceptual analysis on withdrawing and preventing investors from mutual fund schemes. Related and selected published papers has been reviewed which has covered extensively the findings on investor's perception

on investment in mutual funds in various circumstances and considering past performance of the schemes.

4.1 Review of Scholarly Paper on Factors Influencing the Investors' to Invest in Mutual Fund

To gain knowledge about the key factors that influences investment behaviour and where these factors impact on investment risk tolerance and decision making process, primary data collection method has been used [3]. The survey was conducted from rural and urban areas on the basis of their profession the data was analysed through SPSS software. The study concludes that the modern investors is a mature and adequately groomed person. In spite of the phenomenal growth in the security market and quality initial public offerings in the market the individual investors prefer investments according to their risk preference.

The topic of fund selection behaviour of an individual investor with special reference to the different mutual fund schemes were studied [4]. As per analysis of this study, 27% investors willing to invest their fund in the various mutual funds. In this study most affecting factor for purchase the mutual fund was the portfolio diversification.

Various statistical tools like principle component analysis were used to identify the investors' financial behaviour related to fund selection [5]. Most of the investors are unaware of the objectives & constraints about the mutual fund investment. The new era of marketing concepts and strategies place a special interest in the investors mind on needs in efforts to provide the high level quality services. A negative correlation exists between advertisement and fund quality found by the Jones et al, during the period of 2007 with special reference from the specific sample. General investors expect that the mutual fund schemes are able to generate the moderate amount of return with a lower level of risk.

Interpretation and Findings: The findings of the study revealed that product quality (performance of the fund) and brand name were the primary factors influencing the investment decision of the mutual fund investor. Hence it is very important for the asset management companies to concentrate on satisfying the investors' by giving better service and better investment options' them.

4.2 Review of Scholarly Paper on Factors Influencing the Investors' Behaviour on Investing and Factors Influencing the Investors' Behaviour on Withdrawing

An empirical study where the main objective was to know investors perception and preference about various mutual funds schemes and the factors which influences different class of investors to invest in mutual funds based on the objective, a survey was been conducted among 200 mutual fund investors in nine urban and semi-urban cities of Orissa(India), various statistical tools like mean, standard deviation, rank correlation, Chi-square factor analysis etc. were applied through the analysis it is clear that safety, past return, and liquidity are the most influencing factors in inducing most of the investors to opt for the mutual fund schemes [6].

The number of factors that influence an investor to invest in or pull out from mutual funds was studied and the findings were of great use to government and regulatory



authorities' for streamlining the working asset management companies to concentrate on small investors' who are the most needed reservoir of capital to flourish the mode of investing [7]. To conclude the findings various statistical tools were applied like principal component analysis with factor analysis (Rotation Varimax, factor score Bartlett).

An attempt was made to study the factors which influence the investors to invest and withdraw from the mutual fund [8]. Primary data collection method is used to collect the data around 300 investors' respondents are considered for the study, the statistical tools applied for arriving at the conclusion were, descriptive analysis, factor analysis, correlation. The findings of the study is most of the investors' get influence to the tax benefit factor while investing where in, fund managers performance lead the investors' to withdraw from the mutual fund

Interpretation and Findings: The study revealed that good past performance, tax benefits, knowledge of the investors, rating of fund, advises given by brokers and agents market conditions all these factors influenced the investors to select mutual fund as their investment mode. The study revealed that inflation and deflation in the market, current political situations, family commitments, non-fulfilment of financial goals are the factors which influenced the investors to withdraw from the mutual funds hence to reduce the withdrawal of the loyal investors need to work on the factors that influences them to do and search for an alternative schemes which overcomes these negative aspects.

4.3 Review of Scholarly Paper on Changing Investors' Behaviour on Selection of Mutual Fund Schemes

The main purpose was to find the objectives considered to invest in mutual fund schemes by retail investors and their behavior towards mutual fund schemes [9]. Both primary and secondary data collection methods are used to collect the required data from 100 mutual fund investors belonging to Faridabad and Delhi city. Secondary data is collected from various journals, books and newspapers etc. Various statistical tools have been used for the data analysis such as Frequency, Mean and F-test. On the basis of Data Analysis it is found that the investors mainly prefer to invest in mutual fund for good return safety and for tax benefits and to achieve this objective they usually select growth and balanced schemes.

D'silva concentrated on the factors which influence the mutual fund investment decision using Primary data from 101 investors of Mumbai city [10]. Descriptive statistics were used along with that many statistical tools are used to analyze the data ANOVA, Friedman Test, and KH Test were employed to analyze the role of demographics in mutual fund selection behavior. Through analysis the result was revealed that financial knowledge level of investor plays a vital role in mutual fund investment decision. The study also showed that, there exists a huge difference in their investment objective and in their educational qualification, the rankings given by the investors towards the investment parameters also creates a significant difference. The authors have suggested that mutual fund companies to

create mutual fund awareness among the investors by conducting the awareness programs.

The main aim of the study is to know the pulse of an investor in regard to their preferences towards different financial instruments and schemes of mutual fund is analyzed using demographical factors of an investors and even an attempt has also been made to identify the preference of investors in mutual fund schemes and to analyze the factors influencing the selection of these schemes [11]. This research is of descriptive cum diagnostic study author used both primary and secondary data collection method where the survey was conducted in national capital region (Delhi and Gurgaon) the sampling size for the study was 123 respondents. The main findings of the study is expected to have managerial implications for Asset Management Companies in product designing, marketing and management of the fund.

Interpretation and Findings: The study also showed that, there exists a huge difference in their investment objective and in their educational qualification, the rankings given by the investors towards the investment parameters also creates a significant difference. Hence the suggestion is that mutual fund companies should create mutual fund awareness among the investors by conducting the awareness programs.

4.4 Review of Scholarly Paper on Investors' Perception on Selection of Mutual Fund Schemes

Descriptive research design was used to ascertain the perception of investors on various investment opportunities and to identify the most influencing and motivational factors for mutual fund investors. Primary data and secondary data collected from websites, fact books, hand books, text books, various magazines, published articles, investment companies, brochures and research papers were used. SPSS software was used for data analysis where in it was found that most of the investors have stated that the lack of knowledge and inadequate information is the main reason for preventing them to invest in mutual fund hence the author suggested that asset management company should come up with some knowledge awareness programs to the general investors [12].

An attempt was made to evaluate the investor's awareness and adoption towards mutual fund in terms of different educational levels [13]. The data were collected from 350 respondents of Visakhapatnam, Vizianagaram and East Godavari districts of Andhra Pradesh and has observed that the awareness and adoption of mutual fund schemes increased proportional to an increase in education. The awareness and adoption of equity fund scheme was found to be the highest, followed by balanced fund scheme and ELSS scheme. In a concluding remark he has suggested that the regulatory authorities, AMFI and Asset management companies have to conduct educational orientation programmes in collaboration with universities, Institution and Stock exchanges in order to create more awareness about available investment avenues.

A sample of more than 30,000 households were surveyed with an aim to understand the profile of investor's savings and investment behavior in relation with income



and expenditure, and even to understand their interest towards financial instruments, their risk profile and the [14].

54% of the investors prefer commercial banks and insurance as their primary choice of investment and very low per cent of households have participated in the financial markets and out of that 43% investors choose mutual funds as their investment [15]. This is because of lack information about financial markets and no awareness about the financial products. The report indicated that creating more awareness about financial products will help in increasing the participation of investors in financial markets.

Interpretation and Findings: The awareness and adoption of equity fund scheme was found to be the highest, followed by balanced fund scheme and ELSS scheme. So it is a suggestion to the regulatory authorities, AMFI and Asset management companies should conduct educational orientation programs in collaboration with universities, Institution and Stock exchanges in order to create more awareness about available investment avenues.

5. RESEARCH GAP

From the above literature review it is clear that we yet have a long way to go further but to move on we need to analyse what exactly investors are expecting from mutual fund schemes and mainly the problem which we are facing is withdrawal of schemes by the investors, though many research were done on the part of factor influencing the investors to invest their hard earned money in mutual fund but only few researchers had addressed towards factors influencing the investors to withdraw from mutual fund schemes but the studies are conducted from 2009 to 2014 where no research is conducted in the year 2017 residing in Karnataka state, through the literature review which is done for this study helped us to know the Investors' behaviour and to understand how the investors' judge, predict, analyse and review the measures for decision making, which consists information gathering, investment psychology, research and analysis, defining and understanding. Because of the development of mutual fund industry, the investors have a preference of mutual funds as an investment option. Hence there is a huge research gap in all the literature reviews that most of people have worked on the area of factors influencing the investors to invest in mutual fund but limited number of researchers have been done by taking both the components i.e. factors influencing the investors to invest in mutual fund and factors influencing the investors to withdraw from mutual fund. Where in no such work has been addressed on factors preventing investors to invest in mutual fund where in this area motivated me to take up this topic where all the three component are brought down into one roof.

6. FINDINGS AND GAPS IDENTIFIED

The study concludes that the Modern investors is a mature and adequately groomed person. In spite of the phenomenal growth in the security market and quality initial public offerings in the market the individual investors prefer investments according to their risk

preference. The findings of the study revealed that product quality (performance of the fund) and brand name were the primary factors influencing the investment decision of the mutual fund investor. Still so many investors are not fully aware of the modes of investments in mutual funds even they are not aware of their rights, features, past performance records, involvement of risk in the schemes, profile of fund managers, investment objectives, portfolio compositions of the schemes etc. The study revealed that good past performance, tax benefits, knowledge of the investors, rating of fund, advises given by brokers and agents market conditions all these factors influenced the investors to select mutual fund as their investment mode. The study revealed that inflation and deflation in the market, current political situations, family commitments, non-fulfilment of financial goals are the factors which influenced the investors to withdraw from the mutual funds. This study is of great use to government and regulatory authorities' for streamlining the working asset management companies to as to see the exploitation of small investors who are the most needed reservoir of capital to flourish in the investment pattern. There is minimal research work done on the selected topic with reference to factors influencing to invest and withdraw from mutual fund in the time frame of 1974 to 2013. Further research conducted in this area i.e. in the area of perception of mutual fund investors' would serve as supportive piece of work for academic and research fraternity as well as asset management companies to know about the investor's behavior regarding investing in mutual fund schemes.

7. FUTURE SCOPE OF STUDY

Based on the literature review conducted on the selected scholarly papers, and research gap surfaced, further research can be suggested. Previous scholarly findings have not addressed factors which influences on prevention from investing in mutual fund. Such perceptual analytical work can be undertaken considering two significant factors as, a) perception to withdraw from the mutual fund and b) perception of investors which prevent them to invest in the schemes of their choice.

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