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A STUDY ON FACTORS INFLUENCING MUTUAL FUND INVESTORS

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Abstract

Significant rise in the number of mutual fund investors in the recent years and significant increase in the total Assets Under Management of Rs 31.43 lakh crore at the end of March 2021 compared to Rs 22.26 lakh crore in March 2020 has necessitated to take up the study. Why investors' inclination is more towards mutual funds and what influences them prior taking investment decisions is to be understood. The paper throws light on six hundred mutual fund investors' investment decisions.

Keywords: Factors, Investor, Influencing factor, Investment, Mutual Fund.

Introduction

Common man has to make his financial planning very effectively, so that he can face his future uncertainties without any hurdles. Therefore, diversification of investments into various avenues is important. There are various investment avenues available to the investors but the question is that, which would be the right platform for them to invest. Layman may not be having an adequate knowledge about stock market, even though it offers high return. Investors hence select Mutual Funds as a safe way of investment because it is managed by professional.

Mutual funds were gaining prominence in the last few years. When we look at the growth what mutual fund industry has seen, it's significant. The investors are considering mutual funds as one of the important avenues for investment. Hence there is need to understand why investors are looking mutual funds as an investment avenue. What factors influence them to take investment decisions while investing in mutual funds has to be studied. Here an attempt is made to understand the influencing factors and what's the perception investors carry about mutual funds. One sample t test is used to understand whether the factors have any significant role in investment decisions.

Literature review

R Vijaylaxmi and R Jayasatya (2009) studied on the factors which influence while selecting mutual fund. 24.07% of people were found investing in mutual funds. The past performance of the schemes is the major influencing factor which was found in the study.

V.M. Selva Raj and Bala Murugan (2011) carried out a study on perception of mutual fund investors. The study revealed that, investors have given a first preference to the growth fund, second preference to the income fund and balanced funds being a third.

K.Viyyanna Rao and Nirmala Daita (2011) conducted a study to examine the nature of casual relationship that exists between mutual fund market and economic variables. The study found that, the real economic variables are not significantly influencing the investment in mutual fund.

Gaurav Agrawal and Dr. Mini (2013) found that, investors consider mutual fund and real estate as the most preferred investment avenues as they provide maximum return.

Arathy B, Aswathy A Nair, Anju Sai P, Pravitha N R (2015) advocated that, the major factor influencing the investors while investing in mutual fund are tax benefit, high returns and capital appreciation. Poor past experience is the important reason why investors stay away from investment.

KC Narayan, Dr. Ganesan (2015) examined perception of individual investors with respect to mutual funds. He concluded that people are keen to invest in mutual funds because it provides stable income and has more diversifiable options.

Ami Jain and Dr. Saswati Choudhury (2017) conducted a study to understand the perception of investors towards mutual fund. They also examined the reason why the investors are not investing in mutual fund. It is found that, investors are lagging in understanding the advantages and disadvantages of investment avenues. This made them to have a less preference towards mutual fund. Majority of the investors who invested their money in mutual fund is to avail tax benefit, and medium return.



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Ms. Himani Upreti, Dr. Rupa Khanna Malhotra, Dr. Mohit Kumar Ojha (2019) have carried out research to study the factor relevant for the investor while investing in mutual fund. The study revealed that, investor considers the safety, liquidity, return, tax saving while making investment.

Dr. Sumathi. K, Mrs. Supriya. G. K and Mrs. Rina Khanum (2019) conducted a study on Mutual funds to analyze the growth and development of mutual fund industry in India. The study revealed that the net assets of mutual fund is increasing in India year by year till 2010, quite decreased in 2011 but again net assets of mutual fund has increased after 2012. This is because of the reasons like growth opportunities, growing awareness in the minds of investors, liquidity and diversified schemes offered.

Objective of the study

To examine the factors which influence the investor while investing in mutual fund.

Need for the study

It is found that, net assets of asset management companies are on a rise since 2012 (Dr. Sumathi. K, et. al. 2019). There is growing awareness among the investors about mutual funds as it offers diversification and helps to reduce risk (KC Narayan, et. al., 2015). Investors have shown the high interest to invest in mutual fund to meet their long term and short-term goals. From past few years there has been a rapid increase in mutual fund investments. According to the data from mutual fund association of India in the year 2020-21, more than 81 lakh accounts added to the industry, which increased the total number to 9.78 crores. In 2019-20, 72.89 lakh new investors were added to the industry.

There also an increase in equity-oriented schemes by 24 lakhs to end at 6.68crore due to a surge of in the scheme and the debt fund schemes rose to 16.16 lakh to 88.4 lakh in 2020. The mutual fund industry had total assets under management (AUM) of Rs 31.43 lakh crore at the end of March 2021 compared to Rs 22.26 lakh crore in March 2020. Hence significant increase in the AUM is observed in 2020-21.

With all this in mind question arises that, what made investors to pool significant amount into mutual funds and why it is considered as a preferred choice of investment. There might be a several reasons which were contributed directly or indirectly to the growth. The growth may be because of the several factors which have influenced the investor to invest in mutual fund. Change in their perception towards the mutual fund might be a reason why there is an inclination. There is need to understand what major factors influence investors while selecting avenues for investment particularly mutual funds. The study helps to understand the factor which has significantly influenced the investor to invest in mutual fund.

Research Methodology

This study is conducted among the 600 mutual fund investors to understand the important influencing factors. Mutual fund investors were administered with a questionnaire and collected their feedback. The respondents were selected from various mutual fund company branches in Hubli based on convenience of the researcher. The t test is conducted to know whether there is any significant influence of certain factors while they invest in mutual fund.

Analysis

Table No. 1: One-Sample Statistics

One-Sample Statistics				
Factors	N	Mean	Std. Deviation	Std. Error Mean
Past performance of the fund.	600	3.6000	.86749	.11199
Entry and exit load.	600	3.3833	.95831	.12372
Offer document information.	600	3.6333	1.07304	.13853
Fact sheet information.	600	3.5500	1.24090	.16020
Consistency of returns offered by fund.	600	3.9000	.87721	.11325
Fund performance against benchmark.	600	3.8667	.89190	.11514
Portfolio quality of a fund.	600	3.9667	.78041	.10075
Experience of fund manager.	600	3.9500	.83209	.10742



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Diversification offered by the fund.	600	3.8333	.90510	.11685
Effective reinvestment of dividends.	600	3.6667	.62887	.08119
Availability of variety of choices.	600	3.7000	.80885	.10442
Investment objective of the fund.	600	3.9333	.66042	.08526
Transparency of mutual fund.	600	3.5167	.79173	.10221
Confidence about the mutual funds	600	4.0000	.58222	.07516

Table No. 2: One-Sample Test

One-Sample Test						
Factors	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Past performance of the fund.	5.379	599	.000	.61017	.3831	.8372
Entry and exit load.	3.102	599	.003	.38983	.1383	.6414
Offer document information	4.585	599	.000	.64407	.3629	.9253
Fact sheet information	3.439	599	.001	.55932	.2337	.8849
Consistency of returns offered by funds	8.019	599	.000	.91525	.6868	1.1437
Fund performance against benchmark	7.588	599	.000	.88136	.6488	1.1139
Portfolio quality of a fund.	9.723	599	.000	.98305	.7807	1.1854
Experience of fund manager.	8.943	599	.000	.96610	.7499	1.1823
Diversification offered by the fund.	3.777	599	.000	.32203	.1513	.4927
Effective reinvestment of dividends.	8.291	599	.000	.67797	.5143	.8416
Availability of variety of choices.	6.746	599	.000	.71186	.5006	.9231
Investment objective of the fund.	11.139	599	.000	.94915	.7786	1.1197
Transparency of mutual fund.	5.073	599	.000	.52542	.3181	.7328
Confidence about the mutual funds	13.654	599	.000	1.01695	.8679	1.1660

Table No. 3: Hypothesis Result

Hypothesis	Result
H ₀ : There is no influence of Past performance of a fund on investor while investing in mutual fund.	Rejected
H ₀ : There is no influence of Entry and exit load of fund on investor decision making.	Rejected
H ₀ : There is no influence of offer document information on investor while investing in mutual fund	Rejected
H ₀ : There is no influence of fact sheet information on investor while investing in mutual fund.	Rejected



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H₀ : There is no influence of consistent returns offered by mutual fund, on investor's decision making.	Rejected
H₀ : There is no influence of fund's performance against benchmark, on investor's decision making.	Rejected
H₀ : There is no influence of portfolio quality of a fund on investor's decision making.	Rejected
H₀ : There is no influence of experience of fund manager, on investor while investing in mutual fund.	Rejected
H₀ : There is no significant influence of diversification offered by fund on investor while investing in mutual fund.	Rejected
H₀ : There is no significant influence of reinvestment of dividends on investor while investing in mutual funds.	Rejected
H₀ : There is no significant influence of choices offered by mutual fund on investor while investing in mutual fund.	Rejected
H₀ : There is no significant influence of investment objective of fund on investor decisions.	Rejected
H₀ : It is not significant influence of transparency of mutual funds on investors while investing.	Rejected
H₀ : There is no significant influence of confidence what investors have in mutual fund while investing.	Rejected

Findings

1. The t test results at 5% level of significance indicate (*Mean=3.60, t=5.35, df=599, p= 0.000*) that there is significant influence of past performance of a fund on investor while investing in mutual fund (*Table No:2*). Among respondents, 51.7% of the respondents agreed that, assessment of past performance of the fund is an important factor for them and they take decisions based on that.
2. The t test results at 5% level of significance indicate that (*Mean=3.38, t=3.09, df=599, p= 0.003*) that there is significant influence of entry and exit load of a fund on investor while investing in mutual fund (*Table No:2*). They consider entry and exit load as an important factor while investing in mutual fund.
3. The t test results at 5% level of significance indicate (*Mean=3.55, t=3.43, df=599, p= 0.000*) that, there is significant influence of offer document information of a fund on investor while investing in mutual fund (*Table No:2*). Respondents are of the opinion that information provided in the offer document will help them to take well informed decisions.
4. The t test results at 5% level of significance indicate (*Mean=3.55, t=3.43, df=599, p= 0.000*) that, there is significant influence of fact sheet information of a fund on investor while investing in mutual fund (*Table No:2*).
5. The t test results at 5% level of significance indicate (*Mean=3.90, t=7.94, df=599, p= 0.000*) that, there is significant influence of consistent returns offered by fund on investor while investing in mutual fund (*Table No:2*). Investors look at the historical returns and take decisions.
6. The t test results at 5% level of significance indicate (*Mean=3.86, t=7.52, df=599, p= 0.000*) that there is significant influence of fund's performance against benchmark on investor while investing in mutual fund (*Table No:2*). Investors compare the performance of fund against the benchmark and invest.
7. The t test results at 5% level of significance indicate (*Mean=3.96, t=9.59, df =599, p= 0.000*) that, there is significant influence of portfolio quality of a fund on investor while investing in mutual fund (*Table No:2*). Investors look at the quality of stocks and bonds in which the fund manager has invested.
8. The t test results at 5% level of significance indicate (*Mean=3.95, t=8.84, df=599, p= 0.000*) that there is significant influence of experience of fund manager on investor while investing in mutual fund (*Table No:2*). Active performance of fund manager is observed by investors.



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9. The t test results at 5% level of significance indicate ($Mean=3.75, T=5.79, df=599, p= 0.000$) that there is significant influence of diversification offered by a fund on investor while investing in mutual fund (Table No:2). Hence it is understood that, investing in mutual fund is found to be less risky to investors when compared to investing in stocks.
10. The t test results at 5% level of significance indicate ($Mean=3.66, t=8.21, df=599, p= 0.000$) that, there is significant influence of reinvestment of dividends by fund on investor while investing in mutual fund (Table No:2). It is understood in the study that, investors prefer to invest in growth options.
11. The t test results at 5% level of significance indicate ($Mean=3.93, t=10.94, df=599, p= 0.000$) that, there is significant influence of investment objectives, the mutual fund has. Majority (68.3%) of the respondents are agreed that clear investment objectives help them to understand and track the fund in a better way.
12. The t test results at 5% level of significance indicates ($Mean=3.51, t=5.05, df=599, p= 0.000$) that, there is significant influence of how transparent the funds are. Because investors while investing in mutual fund look at clear disclosures, allocation of money and performance are clear enough (Table No:2).

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