



Investor's Perception Regarding Mutual Funds Considering Moderation Effect Of Investor's Risk Profile

Dr. S. SARAVANAN*, ASST PROF(MBA), SRM ARTS AND SCIENCE COLLEGE , 9655120410,
saravanan.dhava.ss@gmail.com

Dr. V. VISWAPRAKASH, PS TO CHANCELLOR, SRM UNIVERSITY, HARYANA,
v.viswaprakash@gmail.com

ABSTRACT:

Purpose of this paper is to know the perception of investors towards Mutual fund in Indian scenario along with the moderation effect in the perception based on the risk profile of the investors. Data was collected through structured questionnaire from selected sample size and finally 200 responses were used to justify the structure. The study was done with seven constructs namely Market Trends, Return prospect, Technology support, Purpose of Mutual fund investments, Service offered by Mutual fund provider, Investor satisfaction and Investor Advocacy. A structural model was arrived trying various combinations among the variables considered and finally a model with better fit was explored. Overall the moderation effect based on Risk profile seems not significant except the schemes preferred by the investors vary based on the risk profile. Investor Advocacy being the final dependent variable had a direct influence from Investor satisfaction. Other variable considered had a direct relationship with the Investor satisfaction.

KeyWords: Mutual funds, Perception, Investor satisfaction, Investor Advocacy

INTRODUCTION:

Perception on a financial instrument is always a wide researched arena, still the instruments are highly volatile that the studies differ based on the period of the study and the nature of the instrument. Perception on an instrument considered is an outcome of our own experience in instruments which closer resemble to the one considered, may be the words of people known or experts, our own knowledge to analyze the returns, conditions prevailing in the market, and much more.

Mutual funds are always considered as a proxy to get a return equal to stocks but the perception on the same differs based on the risk nature an investor assumed, patience the investor has to reap the benefits, trust on the managing partners and the mutual fund, ease of purchasing and



holding, ease of understanding the fund itself. Only when all the requirements considered are met by the investor, it leads to a satisfaction in the investment made and in turn investor can advocate for the fund. This study focuses on the perception on mutual fund by investors for which many variables were considered and the relationship between them was analyzed.

REVIEW OF LITERATURE:

Jank S (2010) Investors in Mutual funds have irrational behavior chasing the past performance, not interested to register loss with a stop loss when the fund is moving negative. Also high past performance is given much importance while considering the investment. Singh B K (2012) Spreading of awareness about the unique features of the Mutual fund is most important and liquidity, potential return is considered the important factors in investment then comes flexibility in the schemes, transparency of operation and valuations. Divya K. (2012) Investing style of Asset management company should follow the trend of the market, by doing so the fund can become popular and can provide efficient return. A benchmark index is needed to know about the fund managers performance. Goel S et al (2012) Asset base of the AMC is considered as a factor in which larger asset base are better performers. Fund manager is most important in choosing the fund to invest and local mutual funds perform better than foreign mutual funds.

Narayanasamy R. and Rathnamani V (2013) Investor should not only consider NAV and the returns but also the statistical parameters like systematic and unsystematic risk in the investment through alpha, beta and standard deviations. Santhi N.S. and Gurunathan K. (2013) Market regulators are having a careful watch on mutual fund schemes considering the volatility in the market and the financial stability of the custodian. But it should be just a balancing act not regulations increasing the risk in the product. Iqbal N (2013) Mutual funds started penetrating into the rural areas which was through new awareness programs from the traditional target of urban areas which is possible through new strategies. Intermediaries responsibility in this case are the backbone to integrate the rural investors into this financial instrument.

Sharma N. and Ravikumar R (2013) Private sector mutual funds have outperformed public sector mutual funds in long run and also private sector mutual funds are found to be less risky than the counterpart public mutual funds. Sehdev R and Ranjan P (2014) Initial investor prefer balanced and debt fund, once confident investor try Diversified fund both either equity oriented or sectorial. The factors accountable for investors' liking for mutual funds as an stock option are benefits and clearness, returns, redemption period, Liquidity and Domestic/foreign Institutional Investor's activity. Important source of information is internet and expert advices.

RESEARCH METHODOLOGY:

Objective:



- To analyze the investors perception regarding mutual fund investment.
- To know the moderation effect in the perception based on Risk profile of Investor.

Research Method:

Stratified Disproportionate sapling has been used to study since the consideration included both investors with and without dematerialization account, covers any classification of fund like open or closed ended and of any risk nature from equity to bonds. The study is done among 200 respondents from the city of Chennai.

Relationship Testing:

Relationship between Market Trends, Return prospect, Technology support, Purpose of Mutual fund investment, Service offered by Mutual fund provider, Investor satisfaction and Investor Advocacy is proposed to be tested through various relationship combinations.

Internal Validity of the items are tested with Cronbach's alpha and the items that has a strength of more than 0.70(standardized regression weights) only were considered to test the relationship.

ANALYSIS AND DISCUSSIONS:

Table 1: Demographic variables:

VARIABLES	Sub-Category	%
GENDER	Male	84
	Female	16
AGE	21 to 30	11
	31 to 40	61
	41 and Above	28
EDUCATION	Diploma or below	2
	Graduate	57
	Post graduate	41
OCCUPATION	Services	66
	Business	34
MARITAL STATUS	Single	10
	Married	90
MONTHLY INCOME	Upto 50000	59
	50001 to 70000	29
	Above 70000	12
SAVINGS	Upto 15%	70



	16 to 25%	25
	Above 25%	5

Table 2: Selection variables

VARIABLES	SUB-CATEGORY	%
Source of Information	Advertisement/Reports	50
	Distributors/Bank	29
	Friends/Relatives	21
Motive to invest	Accumulation of wealth	43
	Retirement Plan	8
	Children Future	27
	Purchase of movable/immovable asset	18
	Vacation and Leisure activities	4
MF preference over Stock market	Flexible option	11
	Choice of funds/schemes	41
	Professional Management	26
	Risk Diversification	5
	Portfolio Diversification	7
	Low transaction cost	5
	Tax Savings/Benefits	3
	SIP	2
Preferred Plan	Direct Plan	66
	Regular Plan	34
Preferred Fund	New fund Offer	36
	Existing Offer	64
Preferred Way of Investment	Demat/Online	81
	Physical/Offline	19
Preferred Scheme	Open-Ended	76
	Close-Ended	24
Investment Strategy	Lump Sum	29
	Systematic Transfer Plan	39
	Systematic Investment Plan	32
Preferred Option	Growth Option	37
	Dividend Payout Option	57
	Dividend Reinvestment Option	6



Preferred Fund	Equity Fund	48
	Debt Fund	33
	Hybrid fund	15
	Liquid/money market oriented	3
	Exchange traded fund	1
Preferred Withdrawal Option	Redemption	70
	Systematic Withdrawal Plan	30

Advertisement is preferred as the best source of information. Motive of investment of major investors is wealth creation. Mutual Fund is preferred over stocks due to the schemes and option available. Maximum investors prefer direct plan and the existing funds rather than a new one. Open ended schemes have a good response, so is the return investor expects a regular dividend payout option. Also equity schemes are preferred to get a better return though the same has risk associated with it.

Investors who save more are the ones who invest more in mutual funds. Mutual fund is preferred over stocks due to the variety of schemes available to cater their needs. Systematic investment Plan is the wide spread strategy to invest. Investors are majorly moderate risk takers and hence MF route is preferred. Correlation between Investor Satisfaction and Advocacy is 0.866 which proves that a satisfied investor influence others to take part in mutual fund investments. Investors are interested to make repetitive investment in mutual funds.

Table 3: Assessment of reliability: Reliability of the model was checked with Cronbach’s Alpha. Almost all the construct are strong and have proved that the corresponding items are reliable to measure about the construct.

Construct	Cronbach’s Alpha
Market trends	0.923
Return prospect of Mutual funds	0.955
Purpose of mutual fund investment	0.856
Service to Investors by MF	0.844
Technology support offered by MF	0.805
Investor Satisfaction	0.880
Investor Advocacy	0.853

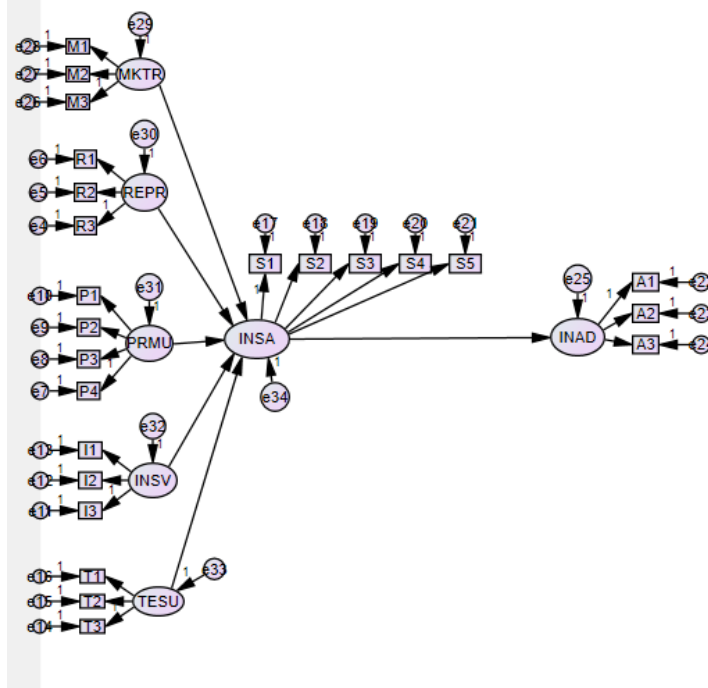


Fig 1: SEM

Market trends, Return prospect of Mutual funds, Purpose of mutual fund investment, Service to Investors by MF, Technology support offered by MF has a direct relationship with Investor satisfaction with Return prospect being the dominant factor with highest R Square value and relationship value. Investor satisfaction in turn has a significant influence on Investor advocacy. Even the Correlation analysis showed a positive relationship between Investor satisfaction and investor advocacy. Structural model had a GFI of 0.854 and AGFI of 0.805 which shows a fitness of the model.

Table 4: Standardized Coefficients

Relationship Between the constructs	Standardized co-efficient
MKTR → INSA	0.354
REPR → INSA	0.563
PRMU → INSA	0.458
INSV → INSA	0.288
TESU → INSA	0.244

Further the model is tested for moderation effect with Risk profile of the investors. Conservative, moderate and Aggressive investors are the classification used for risk profile. Overall model is fit with this moderator with the strength of relationship changing a little for certain profile of



investors. When it comes to conservative investors Return prospect of Mutual funds has a strong relationship with investor satisfaction. Whereas in case of Aggressive investors, Market trend has the highest strength influencing the investor satisfaction.

CONCLUSION:

This study on Perception of investors towards Mutual funds has provided an insight and value addition to the existing volume of research in the same platform. The overall model does not show a significant change with Risk profile as moderator. Equity funds with Dividend Payout option is widely preferred plan when it comes to investments in Mutual fund. Investor satisfaction is the most influencing factor when is come to investor advocacy. Also Return Prospect of the Mutual Fund is the major factor influencing Investors satisfaction. Correlation between Investor Satisfaction and Investor Advocacy proved a satisfied investor is a brand ambassador for the scheme.

REFERENCES:

Singh, B. K. (2011). A study on investors' attitude towards mutual funds as an investment option. *Journal of Asian Business Strategy*, 1(2), 8.

Divya.k (2013).A comparative study on evaluation of selected mutual funds in India. *International Journals of Marketing and Technology*.2(4),238-261

Goel S et al (2012).A Review of Performance Indicators of Mutual Funds.*Researchers World – Journal of Arts, Science & Commerce*. Vol3 Issue 4(1) 100-107

Narayanasamy R. and Rathnamani V (2013).Performance Evaluation of Equity Mutual Funds(on selected Equity Large Cap Funds). *International Journal of Business and Management Invention*. 2(4).18-24

Santhi N.S. and Gurunathan K. (2013).The growth of Mutual Funds and Regulatory Challenges.*Indian Journal of Applied Research*.3(4).

Iqbal N (2013). Market Penetration and Investment Pattern of Mutual Fund Industry.*International Journal of Advanced Research in Management and Social Sciences*. 2(4)

Sharma N. and Ravikumar R (2013). Analysis of the Risk and Return relationship of Equity based Mutual Fund in India. *International Journal of Advancements in Research & Technology*.2(8). 289-295

Sehdev R and Ranjan P (2014).A study on Investor's perception towards mutual fund investment. *Journal of Economics, Business and Management*