Factors Influencing Mutual Fund Investors' Level of Perception in Chennai City

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Abstract

In the past few years Indian mutual fund was put on assortment of fame. In this market UTI has enjoyed a monopoly status after 1991 there are several companies are entered into market, hence mutual fund industry faced ruthless antagonism. In this moment surpass mutual industry has be converted into an exhortation in the Indian financial system. So it is awfully vital to be acquainted with the investors' perception a propos this industry. The present study analyses the mutual fund investments in relation to investor's behavior. Investors' outlook regarding perception to various issues like type of scheme, investment objectives, role of advisors and brokers, factors influencing to invest, sources of information, lack of services provided by the mutual fund managers and confront sooner than the Indian mutual fund industry etc.

KEYWORDS: Mutual fund, investors' perception, investors' behavior, objectives, challenges.

INTRODUCTION

As of its initiation the escalation of mutual funds is dreadfully dawdling and it took truly long years to grow the up-to-the-minute mutual funds. In the 18th century mutual fund was introduced in Netherland and followed by Scotland and United States in 19th century. The foremost reason behind mutual fund investments is to diversification of investment. After that this idea developed and investors received more and more choices of investment portfolios all the way through mutual funds. In Indian context the concept of mutual fund surface in 1960. The first mutual fund in India has Unit Trust of India (UTI). Monetary Fund's advantage gives bunch as of the mutual funds. Past investors worn to invest unswervingly in the stock market and numerous times endure from hammering due to erroneous gossip. Nevertheless with the imminent up of mutual funds, which were knob by proficient fund managers, the investment jeopardy was worse by an immense area. The expand investment construction of mutual funds and diversified risk put in terrifically in the development of mutual funds. With the passageway of time countless new mutual funds appear. With time to time the selling methods was changed. However, the enlargement of mutual funds has not clogged. It is continuing to go forward to a healthier hope, where the investors will get novel prospect.

LITERATURE REVIEW

Langer (1983) suggests that when these preferences are based on choices, there is more ego involvement and attachment to the preferences, suggesting heightened level of preference bias. This phenomenon is consistent with the prediction from Cognitive Dissonance theory of Festinger (1957).De Bondt and Thaler (1985) while investigating the possible psychological basis for investor behaviour, argue that mean reversion in stock prices is an evidence of investor over reaction where investors overemphasise recent firm performance in forming future

expectations. Ippolito (1992) says that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds Robert J. Shiller (1993) reported that many investors do not have data analysis and interpretation skills. This is because, data from the market supports the merits of index investing, passive investors are more likely to base their investment choices on information received from objective or scientific sources. Gupta (1994) made a household investor survey with the objective to provide data on the investor preferences on MFs and other financial assets. The findings of the study were more appropriate, at that time, to the policy makers and mutual funds to design the financial products for the future.

In this paper, an attempt is made by the author, mainly to study preference of investors for mutual funds and their performance evaluation.

OBJECTIVES OF THE STUDY

• To know the preference of investors and their needs regarding mutual funds investment.
• To analyse factors that influence most while perception of mutual funds.

SAMPLING METHOD AND SAMPLING FRAME

The primary research is based upon convenience sampling. Convenience sampling (sometimes known as grab or opportunity sampling) is a type of non- probability sampling which involves the sample being drawn from that part of the population which is close to hand.

SAMPLE SIZE:

Primary research is conducted of 200 educated investors of Chennai city.

ANALYSIS OF DATA

This paper deals with primary data regarding the level of perception of investors through interview schedule from the mutual investors in Chennai city. The level of perception is measured through a scale called "Investors Level of Perception Scale". This scale is based on a scoring scheme in which each factor responsible for level of perception is awarded a score and then the total scores are estimated for each sample. The factors influencing investors level of perception are studied with the help of two-way tables, percentage, averages, correlation, analysis of variance and stepwise multiple regression analysis.

Investors Level of Perception relating to the various factors influencing mutual fund investors in Chennai city is abstract and qualitative. It can be measured only indirectly through their opinions or response to various factors in their retail sectors. A scale by name 'Investors Level of Perception Scale' has been constructed to measure the level of Perception of each customer's respondent. The scale contains 64 items related to various factors regarding the level of investors' perception in mutual fund investors in Chennai city.

The responses of the sample respondents to the 64 items have been recorded. The investors' Level of Perception Scale has a maximum score of 455. The respondents based on their Perception have been grouped into three categories namely (i) Low-level (ii) Medium-level and (iii) High-level. This classification is done according to "Mean +SD" criterion. Their mean score is 359.24 and SD is 36.03.

MULTIPLE REGRESION ANALYSIS

In this foregoing analysis, the relationship of each factor with the perception of investors of the mutual fund investors in Chennai city has been studied. The analysis has been carried forward into a regression analysis in this section is given in table 5.39 which shows that there is a significant relationship between nine factors with perception.

Table 1
Simple Correlation of Selected Factors with Perception

S.No	Factors	Correlation Co-efficient	Table Value "r"	Significance
1.	Gender	0.049	0.088	Not significant
2.	Age	0.108	0.088	Significant
3.	Education	-0.083	0.088	Not Significant
4.	Marital Status	-0.078	0.088	Not significant
5.	Type of Family	0.104	0.088	Significant
6.	Size of Family	0.349	0.088	Significant
7.	Status of Employment	0.215	0.088	Significant
8.	Annual Income	0.149	0.088	Not Significant
9.	Awareness of Mutual Fund Investment	-0.1049	0.088	Significant

Source: Primary data

INTER – CORRELATION

The partial Regression Co-efficient of the seven factors with investors' perception is significant (3.40) indicating that the seven factors, individually contribute significantly to the variations in customer's perception when the influence of other factors is kept constant. As the R^2 value is 0.597 the percentage of predictability of investors' perception in terms of these factors is 59.70 per cent.

Table 2
Inter Correlation among Independent Variables

	Y	X_1	X_2	X_3	X_4	X_5	X_6	X_7	X_8	X_9
Y	1									
X_1	0.049	1								
X_2	0.108	-0.100	1							
X_3	-0.083	-0.080	-0.015	1						
X_4	-0.078	0.168	-0.372	0.318	1					
X_5	0.104	-0.322	0.232	-0.364	-0.319	1				
X_6	0.349	-0.040	0.273	-0.365	-0.420	0.409	1			
X_7	0.137	0.194	-0.330	0.291	0.654	-0.260	0.262	1		
X_8	0.149	-0.091	0.039	-0.101	-0.142	0.250	0.375	-0.001	1	
X_9	-0.149	0.061	-0.380	0.100	0.480	-0.151	-0.407	0.494	-0.127	1

Significant at 5%   Table value of correlation = 0.088

Table 3
Multiple Regression Analysis of Nine Factors with Perception

S.No	Factors	Partial Regression	SE of Partial Regression	"t" Value	Significance
1.	Sex	4.409	4.214	0.149	NS
2.	Age	4.971	2.905	1.334	S
3.	Education	-0.154	3.828	-0.040	NS
4.	Marital Status	-0.450	5.278	-0.085	NS
5.	Type of Family	6.757	6.118	1.104	S
6.	Size of Family	13.944	5.748	2.426	S
7.	Status of Employment	4.340	3.888	1.116	S
8.	Annual Income	-0.530	3.239	-0.164	NS
9	Awareness of Mutual Fund Investment	-6.955	5.688	-1.344	S

R^2 =0.629   F = 8.32 significant

Percentage of Predictability = 62.90%

As the Partial Regression Co-efficient of five of the above factors is significant, the Partial Regression Analysis has been repeated for the five significant factors and the results are given in Table 5.41

Table 4
Partial Regression Analysis of Five factors with Perception

S.No	Factors	Partial Regression	SE of Partial Regression	"t" Value	Significance
1.	Age	4.514	3.854	1.171	S
2.	Type of Family	6.891	5.846	1.179	S
3.	Size of Family	14.202	5.286	2.687	S
4.	Status of Employment	4.016	3.495	1.149	S
5.	Awareness of Mutual Fund Investment	-6.122	3.230	-1.896	S

$R^{2 =}$ 0.597   F = 10.37

Percentage of Predictability = 59.70%

The Partial Regression Co-efficient of five factors with investors' perception shows that all the five factors individually contribute significantly to the variations in investors' perception when the influence of the factors is kept constant. As the R^2 value is 0.597 the percentage of predictability of investors' perception in terms of the five factors is 59.70%.

As the "F" value is significant, this Multiple Regression Analysis is significant.

Table 5
Analysis of Variance for Regression

Source	DF	SS	MS	F
Regression	4	93150.72	11643..84	10.37
Residual	196	596189.36	1122.77	
Total	**199**	**689340.08**		

Significant 5% level

The Analysis of Variance of multiple regression models for perception indicates the over-all significance of the model fitted. The coefficient of determination R^2 value shows that these variables put together explain the variations of perception to the extent of 59.70%.

CONCLUSION

In this paper, the extent of perception maintained by the mutual fund investors has been measured with the scale called "Investors' Level of Perception Scale". Based on the scores, the investors are divided into three groups namely those with low level perception, medium level perception and high level perception. The following is the essence of the chapter.

The average perception scores of the sample respondents are 359.24 out of the maximum of 455. The female respondents have a higher level of perception than the male respondents. The elderly respondents have a higher level of perception than the young and the middle-aged. The school level and diploma holders have a higher level of perception than the other respondents. The married respondents have a higher perception than the unmarried respondents.

The percentage of high level perception is the highest among the investors belonging to joint families. The percentage of high level of perception is the highest among the investors from big families compared to small and medium sized families. The percentage of respondents with a high level of perception is the highest among permanent investors.

Nine factors are identified and their influence the on perception has been analyzed. The influence of each factor has been tested with the help of correlation co-efficient. Among the factors tested, the following are the significant influences on perception.

a. Age
b. Type of Family
c. Size of Family
d. Status of Employment
e. Awareness of Mutual Fund Investment

These statistical tests have proved that the following factors do not influence perception.

a. Sex
b. Education
c. Marital Status
d. Annual Income

Stepwise multiple regression analysis of six factors reveals that Age, Type of Family, Size of Family, Status of Employment and Awareness of mutual fund investment have a significant influence on perception when the influence of other factors is kept constant.

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