A Study of Factors Affecting Investor Decisions for Various Investment Channels with special reference to Mutual Fund Investments- A Case Study of ICICI Securities Ludhiana, Punjab, India.

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ABSTRACT

A mutual fund is the most suitable investment option for common people as it provides an opportunity to invest in a diversified combination of securities at a comparatively low cost. This research paper aims to highlight the factors which affects the investment decision of a common man with reference to the customers of ICICI Securities Limited, Ludhiana, Punjab, India. ICICI Securities broadly offers services such as Investment banking , broking services, private wealth management, financial product distribution.

INTRODUCTION

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious circle of poverty of low income, low saving, low investment, low employment etc. As per SEBI reports, India is far behind most of the developed countries when it comes to the percentage of assets under management (AUM) of mutual funds of gross domestic product (GDP).In India, asset base of mutual funds as a percentage of GDP is just 11 per cent, while the world average is 62 per cent.

There are a large number of investment instruments available today like Equity, Bonds,Corporate Debenture, Company Fixed Deposits, Post Office-NSC, Gold/Sliver,Real Estate etc.

Literature Review

• Ippolito (1992) states that an investor is ready to invest in those fund or schemes which have resulted in good rewards and most investors' are attracted by those funds or schemes that are performing better over the worst. Goetzman (1997) opined that investor's psychology affects mutual fund selection for investment and to withdraw from the fund. De Bondt and Thaler (1985) submitted that mean reversion in prices of stock is backed by investor's retrogression which is based upon investor's psychology to overvalue firm's recent performance in forming future expected results which is also known as endowment effect. Gupta (1994) surveyed household investor to find investors' preferences to invest in mutual funds and other available financial assets. The findings of the study were more relevant, at that time, to the policy makers and mutual funds to design the financial products for the future. Kulshreshta (1994) in his study suggested some guidelines to the investors' that can help them to select needed mutual fund schemes. Newspapers are used as information source, safety of principal amount and investor services are priority points for investing in mutual funds.

RESEARCH METHODLOGY

Locale of the Study

The place where the study is being conducted is the "ICICI SECURITIES" at Ludhiana City Branch. The securities branch deals with the customers in various aspects such as it provides financial planning services.

Sampling Size :230 customers

Sources of Data

1.**Primary Data:** The primary data is gathered from the following methods:

    (a) Through Interview method: Personal interviews, depth interviews

    (b) Through Questionnaire: Structured questionnaires

2.**Secondary Data:** The secondary data is gathered from the organization's website, research reports, other public reports.

Tools Deployed in collecting data

1. **Through Questionnaire:** In this tool, a structured questionnaire is prepared by the intern which consists of a set of number of questions printed in a definite order on a form. The intern asks the questions from the respondents and the respondents give answers on their own. This is the low cost tool deployed to collect the data.

2. **Through Personal Interviews:** In this tool, the intern has taken the personal interviews usually depth interviews from the respondents to analyze the preference of investment of customers towards various investment alternatives and the perception of customers towards mutual funds.

Statistical Framework :Tools used for data analysis

The data is analyzed using tables, mode, proportion / percentages to carry out the results for the study being carried out in the project. The statistical tool used is Microsoft Excel for calculating the findings and interpretations.

FINDINGS AND INTERPRETATIONS

In this section, the researcher has observed the findings related to the data which was collected and analyzed .

1. **Occupation**

Table 1: Occupation of the Respondents

Particulars	No. of Respondents
Govt. Employee	20
Private Firm Employee	129
Business Person	35
Self Employed	46
Others	0
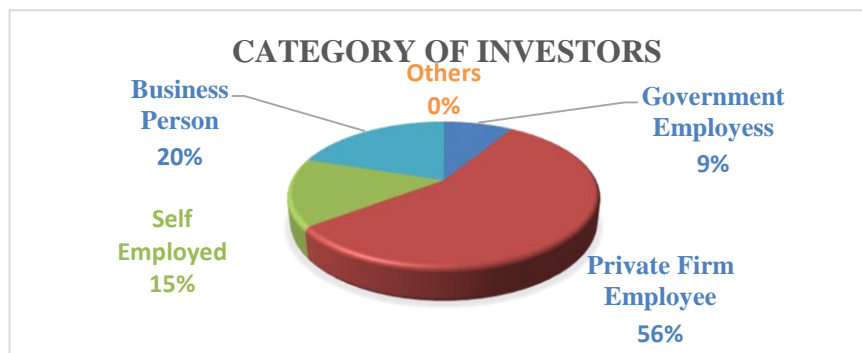
Figure 1: Occupation of the Respondents

Interpretation: A critical analysis reveals that out of the total respondent, 56% are lying in the occupation of Private Sector Employee followed by 20% business person. It means that majority of the customers of the ICICI Securities are employees of private sector firm.

2.Age Group

Table 2: Age Group of the Respondents

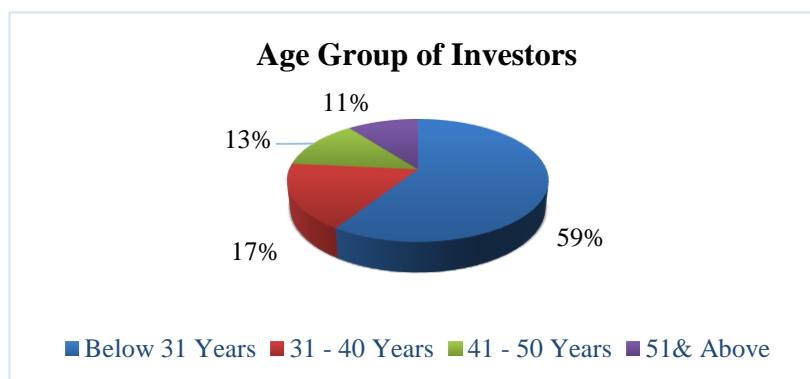| Particulars	No. of Respondents
Below 30 Years	136
Between 31 – 40 Years	40
Between 41 – 50 Years	30
Above 50 Years	24

Age Group of Investors

Figure 2: Age group of Respondents

Interpretation: From the above graph, it is interpreted that most of the investors i.e. 59% belong to the age group of less than 30 years which lies in between 21-30 years followed by 17% belonging to the age group of 31 to 40 years. Further, 13% of the respondents lies in the age group of 41-50 years and 11% belongs to the age group of 51 and above. It means that out of 230 respondents, most of the clientele range of ICICI Securities is below 30 years. According to the first objective, there is a relationship between the age of the respondent and their level of awareness for mutual funds.

3.**Gender**

Table 3: Gender of the Respondents

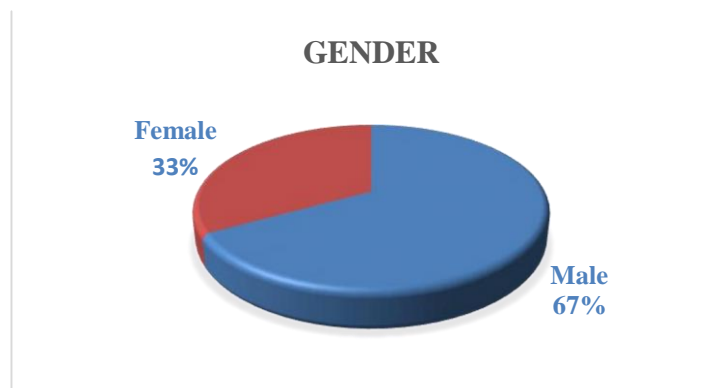| Particulars	No. of Respondents
Male	154
Female	76

Figure 3: Gender of the Respondents

Interpretation: Out of the 230 respondents, 154 respondents are male and 76 are female which means that 67% are male and 33% are female. This chart shows that male gender dominate the investment pattern in Ludhiana by 67%. This shows that male gender takes the majority of the decisions related to investment pattern. The intern also get to know that most of the male respondents operate and manage the demat account on the name of their wife or daughter. And the intern also analyzed that most of the female respondents are hesitant to share their investment pattern. Moreover, most of the female respondents are unaware of the meaning or concept of mutual funds in some areas of Ludhiana .

4.Annual Income

Table 4: Annual Income Range of Respondents

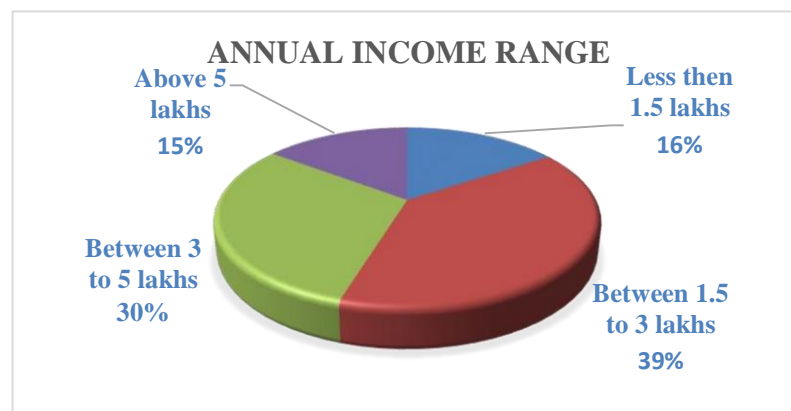| Particulars	No. of Respondents
Below 1.5 Lakhs	36
Between 1.5 – 3 Lakhs	90
Between 3 – 5 Lakhs	70
Above 5 Lakhs	34

Figure 4: Annual Income Range of Respondents

Interpretation: The chart shows that annual income of 39% respondents lies in the range of

1.5 to 3 lakhs followed by very closely i.e. 30% of respondents whose annual income lies in

between 3 to 5 lakhs. Further, 15% of the respondent's annual income is above five lakhs. The

intern noticed that respondents whose annual income is less than 1.5 lakhs are very hesitant to

invest in mutual funds because it has risk involved in it. They have limited savings. The

respondents whose income lies in the range of 1.5 to 3 lakhs usually invest in investments that

offer low returns though safety of principal amount. The respondents with in income range of 3 to

5 lakhs and above 5 lakhs are risk takers and they prefer to invest in equity shares and mutual

funds.

5. Awareness About Mutual Funds

Table 5: Awareness of respondents towards Mutual Funds

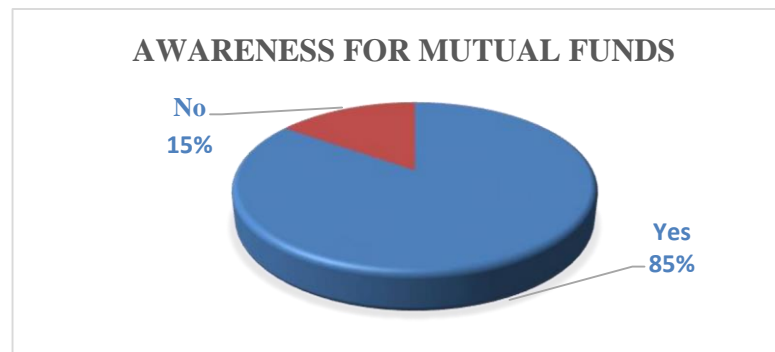| Particulars	No. of Respondents
Yes	120
No	110

Figure 5: Awareness of respondents towards Mutual Funds

Interpretation: It is analyzed that 85% of investors are aware about mutual funds as an investment option. This shows that awareness level for mutual funds is quite high in ludhiana city. It only means that respondents knew that mutual funds are an investment tool but they do not how to invest in it and what actually mutual funds means. So in other words, it can be said that as an investment option, respondents know about mutual funds but still they are not fully aware about it.

It is analyzed by the intern that respondents are quite enthusiastic to know about the concept of mutual funds as they have shown keen interest for the same.

6.Preference of Investment Alternative

Table 6: Preference of Respondents towards various Investment Alternatives

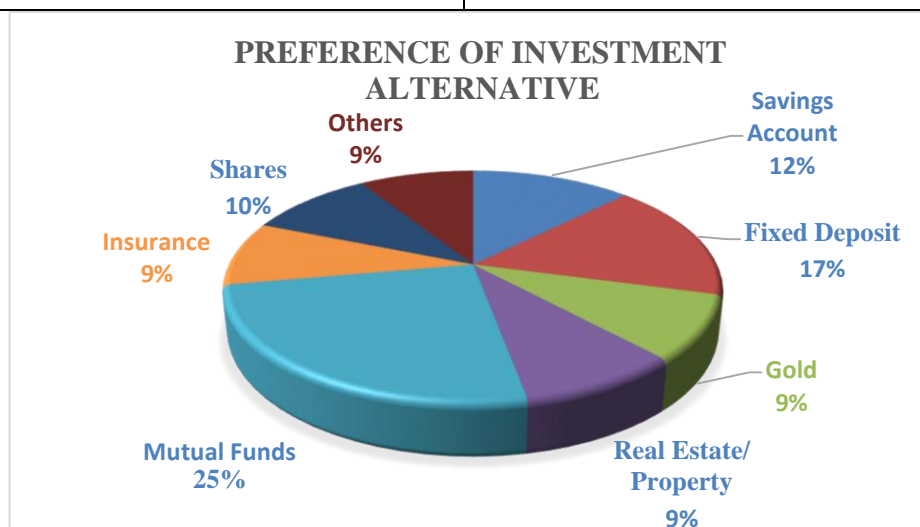| Particulars	No. of Respondents
Fixed Deposit	37
Savings Account in Banks	28
Real Estate/ Property	20
Shares	22
Mutual Funds	56
Gold	20
Insurance	20
Others	20

Figure 6: Preference of Respondents towards various Investment Alternatives

Interpretation: This chart shows only 25% of the respondents prefer to invest in equity . Whereas 75% of the respondents prefer to invest their savings in other investment options such as savings accounts, fixed deposits, real estate, shares, insurance etc. This is concluded that preference of respondents towards other investment alternatives is much more than in mutual funds.

7.Investment Purpose

Table 7: Purpose of Investment

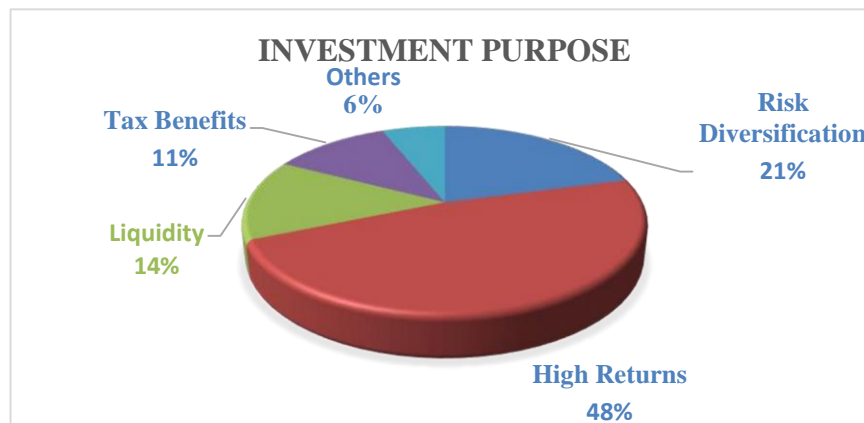| Particulars	No. of Respondents
Liquidity	32
Risk Diversification	48
Tax Benefits	26
High Returns	110
Others	14

Figure 7: Purpose of Investment

Interpretation: The critical analysis of the chart depicts that 48% of the respondent's prefers to invest in the investment vehicle that offers high returns on their invested value. Whereas 21% of the respondents invest, to diversify their risk. 14% of the respondents checks the liquidity factor in an investment. It means that they check liquidity of the investment should be enough so that funds can be withdrawn in order to meet the urgent needs or in case of emergency. 11% of the respondents invest to avail the taxation benefits. 6% of respondents invest for other purpose such as to earn regular income or for better safety of their principal amount.

8.Perception of Respondent for not Investing in MF

Table 8*: Perception of Respondents for not investing in MF*

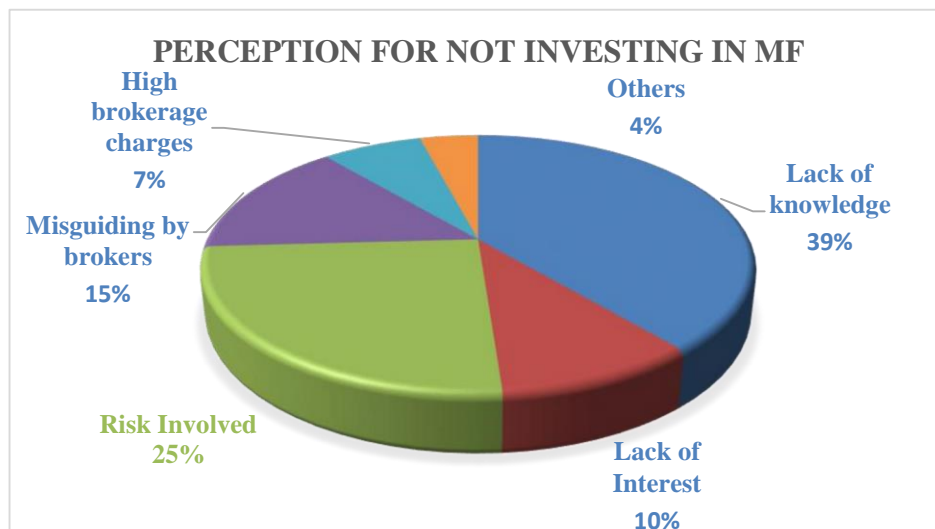| Particulars	No. of Respondents
Lack of knowledge	66
Misguiding by brokers	25
Lack of interest	17
High risk involved	44
High brokerage charges	12
Others	65

Figure 8: Perception of Respondents for not investing in MF

Interpretation: The chart shows that 39% of investors are not aware about the equity as an investment option whereas 25% of the respondents believe that there is involvement of risk factor

in equity due to which they are hesitant to invest in mutual funds. Whereas 20% of investors don't invest because of misguiding by brokers.

9.Factors Considered for Preference of Mutual Fund Distributor

Table 9: Factors considered for Preference of Broker

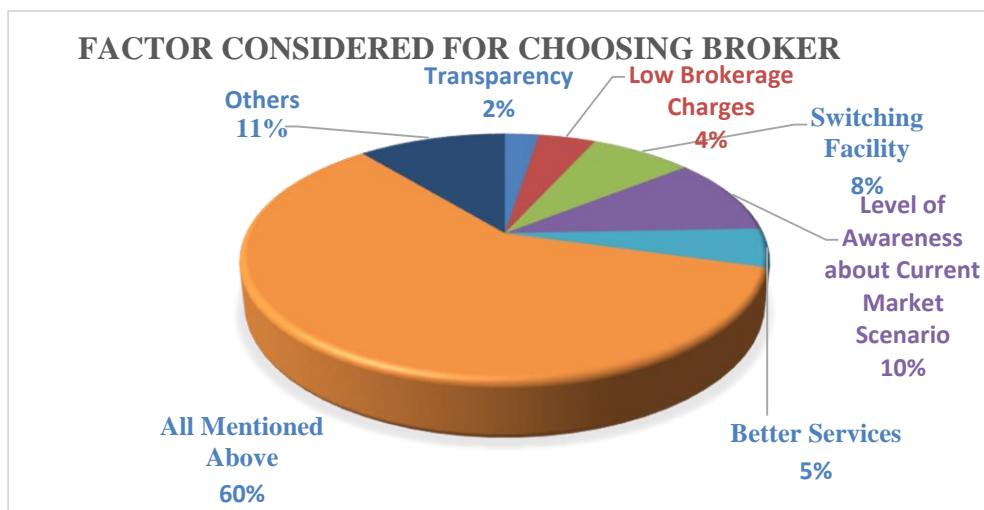| Particulars	No. of Respondents
Transparency	3
Less brokerage charges	5
Aware with current state of affairs and upcoming changes	12
Switching facility	9
Better services	6
All mentioned above	17
Others	31

Figure 9: Factor considered for Preference of Broker

Interpretation: The chart shows that majority of the respondents consider all the factors such as switching facility, low brokerage charges, transparency and so on to rate the satisfaction level with

their brokers. Only 11% of the respondents take into consideration some other factors which includes brand name, past performance of the company, reviews of the existing customers towards the brand name etc.

10. Overall Satisfaction level of respondents towards Mutual Fund Investment

Table 10: Satisfaction level of respondents towards Mutual Fund Investment

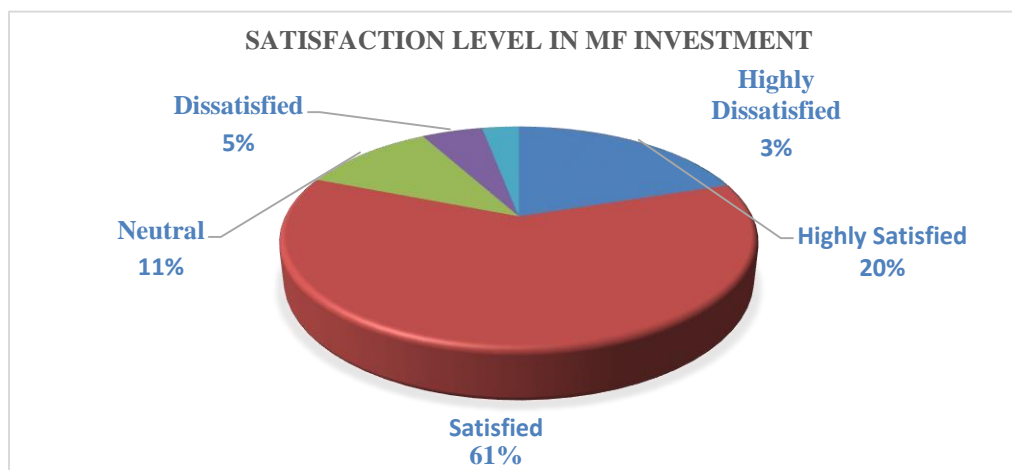| Particulars	No. of Respondents
Highly Satisfied	20
Satisfied	61
Neutral	11
Dissatisfied	5
Highly Dissatisfied	3

Figure 10: Satisfaction level of respondents towards Mutual Fund Investment

Interpretation: The chart shows that maximum investors i.e. 61% are satisfied by choosing equity as an investment option. It should be noted that there is no link between satisfaction level of the

services provided by brokers and satisfaction level of choosing equity as an investment option. Sometimes it may happen that investors is satisfied by equity but not with the services provided by its brokers.

CONCLUSION

In Ludhiana region of Punjab, 60 % of the investment pattern decisions are taken by male gender. The awareness level of Ludhiana population is quite low. The perception of 75% of the respondents is not positive towards equity as an investment option. Average investors are still restricting their choices to conventional options like gold, real estate, savings account, post office deposits and fixed deposits even when the market is flooded with countless investment opportunities besides mutual funds. There are some significant reasons due to which such perception is developed by the respondents such as lack of knowledge about how equity markets work , improper guidance by the brokers, which makes many investors hesitant towards mutual fund investments. To conclude, it can be said that the potential for growth in the capital markets is huge provided the common public has the right platform to obtain the information regarding various investment avenues.

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