

**ROLE OF SYSTEMATIC INVESTMENT PLAN IN
MUTUAL FUND AMONG THE INVESTORS
OF KERALA**

**THESIS SUBMITTED TO THE
UNIVERSITY OF CALICUT
FOR THE AWARD OF THE DEGREE OF
DOCTOR OF PHILOSOPHY IN COMMERCE**

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Declaration

I hereby declare that this thesis entitled '**Role of Systematic Investment Plan in Mutual Fund Among the Investors of Kerala**' submitted to the University of Calicut for the award of the Degree of Doctor of Philosophy is an original record of research work carried out by me under the guidance and supervision of Dr. Vinod Kumar. K.P., PG Department of Commerce, P.S.M.O. College Tirurangadi.

I also declare that no part of this thesis has been presented for the award of any degree, diploma, fellowship, or other similar title or recognition of any University/Institution before.

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List of Abbreviations

AMC	:	Asset Management Company
AMFI	:	Association of Mutual Funds in India
ANOVA	:	Analysis of Variance
AUM	:	Asset Under Management
ATM	:	Any Time Money
BSE	:	Bombay Stock Exchange
CAGR	:	Capital Asset Gearing Ratio
CD	:	Certificates of Deposit
CRM	:	Customer Relationship Management
ECS	:	Electronic Clearing System
ELSS	:	Equity Linked Saving Scheme
ETF	:	Exchange Traded Fund
FDI	:	Foreign Direct Investment
FI	:	Financial Institutions
FII	:	Foreign Institutional Investor
FPI	:	Foreign Portfolio Investment
GDP	:	Gross Domestic Product
HNI	:	High Net worth Individuals
IFA	:	Independent Financial Advisor
INR	:	Indian Rupee
KMO	:	Kaiser-Meyer-Olkin
MF	:	Mutual Fund
MIP	:	Monthly Income Plan
MMMF	:	Money Market Mutual Fund
MSA	:	Measure of Sample Adequacy
NAV	:	Net Asset Value
NCAER	:	National Council of Applied Economic Research
NRI	:	Non Resident Indians
PAN	:	Permanent Account Number

P/E	:	Price Earning
RBI	:	Reserve Bank of India
SEBI	:	Securities Exchange Board of India
SIP	:	Systematic Investment Plan
SRO	:	Self Regulatory Organization
SPSS	:	Statistical Package for Social Sciences
STP	:	Systematic Transfer Plan
SWP	:	Systematic Withdrawal Plan
ULIP	:	Unit Linked Insurance Plan
UTI	:	Unit Trust of India

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Chapter **1**

INTRODUCTION

1.1. Introduction

Capital formation plays a crucial role in the economic development of a country. Capital formation is the process of adding to the stock of capital per year. Capital formation increases the savings and investment rates of a country. It enhances the economic growth, employment opportunity, human capital formation, technical progress, and infrastructural developments etc. Savings is one of the important elements in the capital formation. Savings is part of disposable income which is not spending on consumption. The savings are used for generating future income through investment.

During pre-independence period, the savings rates of people were very low because most of their income spent on consumption. Since independence, the Indian economy has been moved from moderate growth rate to higher growth rate. After getting independence, the government took necessary measures to improve the savings, especially in rural areas. Savings and investments play a vital role in promoting the economic growth of India. Financial institution plays a significant role in stoking engines of economic growth of a country through mobilizing and channelizing the resources. Mutual funds, which have come forth as a strong financial intermediary, are playing an important role in this process. They are not only providing stability to the financial system but have also helped to rationalize the process of allocation of resources.

Investment is an economic activity and it is fascinated by people from all walks of life. An investor needs to identify the objective of the investment as well as the constraints associated with the investment. Investment refers to the employment fund with the aim of achieving additional income or growth in values. The success of an investment activity depends upon the investor's ability to invest in the right amount, in the right type of avenue, at the right time. Only a well-planned investment can meet the investment objective of investors. Nowadays large numbers of investments options are available to the investors, all of them having different risk-return characteristics. Thus, the investment industry is broad and it is very

difficult for investors to understand the core concepts of investments and select investment avenues from various alternatives.

Most of the investors lack the knowledge of handling and operational aspects of the financial market. So they need professional advice for investing their hard-earned money in the right type of investment. There are enormous investment options available for the investors. Some of them have high risk and some others have low risk. Choosing right investment from the plethora of investment avenues are considered to be the most challenging to the investors. Selecting right investment from the troublesome financial market require considerable knowledge, skill, and expertise of the investors. In this situation, the mutual fund became a most suitable financial instrument with an advantage of professional management, diversification, reduction of risk etc.

The important driving forces to mutual funds are that it offers capital appreciation plus interest and dividends. A Mutual fund is nothing but a form of a collective investment scheme that collects money from investors and invests them in government and other corporate securities. And Systematic Investment Plan is one of the plans available in a mutual fund for investing the same amount in every month over an extended period of time regardless of market volatilities. Systematic Investment Plan enables millions of small and large investors to participate and derives the benefit of the security market. The following are the important advantages of mutual funds.

- Channelizing savings for investment

Mutual funds act as an investment vehicle which channelizes the savings of people by offering various schemes according to their investment objectives. So savings are directed towards capital investment directly. By playing the role of financial intermediation mutual fund provides a convenient link between savings and investment. Thus the whole economy benefited due to the optimum allocation of scarce financial resources.

- Flexibility

Mutual funds also offer the benefit of flexibility by providing switching option from one scheme to another and withdraw schemes at any time. These features are available under different schemes, such as regular investment, withdrawal plans and dividend reinvestment option etc.

- Diversification

A large number of investors have small savings with them. They can at the most buy shares of one or two companies. The small savings are pooled and entrusted to mutual funds then these can be used to buy shares of many different companies. Thus the investors can participate in a large basket of shares of different securities. Hence the benefit of diversification can be achieved by investing in a large variety of shares and bonds which cannot be possible to small and medium investors. This is in accordance with the maxim, 'Not to lay all eggs in one basket'.

- Expert supervision and management

A small investor cannot be an expert in portfolio management. When he invests in mutual funds, he gets the benefits of expert supervision and management. Under mutual fund investment, the management of fund generally assigned to fund managers who have adequate experience in the field of investment. The investment decisions of fund managers are always backed by informed judgment and experience.

- Tax advantage

There are certain schemes of mutual funds which provide tax advantage under income tax act. So the tax liability of investors is reduced when they invest in mutual funds. Mutual funds do not deduct tax at source from the dividend. So it is highly beneficial to the investors.

- Affordability and liquidity

Every small investor can afford to invest in mutual funds. It provides an attractive, alternative and cost-effective to direct purchase of shares. Through the Systematic Investment plan, every small investor can invest in securities and reap the benefit of the capital market. An important advantage of a mutual fund is that investment made in its schemes can be converted into cash very promptly without heavy brokerage and delays.

- Higher returns

Mutual funds are expected to provide a higher return to the investors as compared to the direct investment because of professional management, economies of scale, reduced risk etc. The transaction costs of large investments are lower than that of small investments. And all the profits of a mutual fund are passed to the investors by way of dividends and capital appreciation.

- Investor protection

Mutual funds are regulated and monitored by the Securities Exchange Board of India (SEBI). The SEBI (Mutual funds) Regulations, 1996 which have replaced the regulations of 1993, provide better protection to the investors and impart a greater degree of flexibility.

Investing through a mutual fund is a better choice for small investors than investing in a direct way. Mutual funds are also relevant to the national interest and they have to play the role to fill the gap between supply and demand in the capital market. SEBI has thus emerged as an autonomous and powerful regulator of mutual funds in India. The 1996 regulations lay down many measures to protect mutual fund investors. Thus the regulatory mechanism and supervisory control are strong enough for protecting the interests of investors. However, the level of protection can be enhanced by including a few more elements, like SROs, investors protection fund, and credit rating.

1.2. Statement of the Problem

Mutual fund penetration in India is low as compared to global peers and benchmark. In India, the ratio of Asset Under Management to GDP remains at 7 percent to 8 percent as compared to the global average of 37 percent. The Indian Asset Management Industry is yet to find a significant position in the market. The participation from the retail segment has been only 26.6 percent and only a slight increase of 5.3 percent as compared to previous year. By analyzing the contribution of the amount of investment made by various sectors of the economy showed that corporate sector contributes 49 percent, foreign institutional investors contributed 21 percent, High net worth individuals contributed 27 percent, Banks, and financial institution contributed 2 percent and retail investors contributed only 1 percent. Usually, the majority of investors come under the retail sector consisting of individual investors. So the study has been made to attempt the attitude and behavior of individual investors.

The household sector saving rate(as a proportion of GDP at (market prices))fell from 23.6 percent in 2011-12 to 19 percent in 2015-16, while the ratio of household investment to GDP declined from 16.3 percent to 10.9 percent over the same period. A majority of the household sectors do not participate in the financial market, the gross financial savings of household sector was approximately Rs.12356 billion during 2015-2016.Out of which most of the investments were made in bank deposits (56 percent), while the amount held in currencies was 10 percent, life insurance policies approximately 17 percent, pension and provident fund 14.5 percent, and mutual fund 2.5 percent.

The share of Asset under Management in metro cities remains very high and other cities remain low. And individual investor's participation was very low and they invest only a small amount in mutual funds. In the volatile market environment, a mutual fund is a good choice for investors to cater their varied needs. Through Systematic Investment Plan, investors can directly reap the benefits of equity markets. The nature of investors are heterogeneous, their choice of investment, amount of investment, duration of investment, selection of individual schemes,

factors influencing the selection of schemes, awareness, satisfaction level etc. needs an in-depth analysis. So the study has been made in this direction.

In this context, following research questions have been raised from individual investor's perspective and intermediaries of mutual funds. The study has been undertaken to answer the following questions:

What are the investment decisions of mutual fund investors and their objectives of investing in the mutual fund?

What are the specific attitudes of mutual fund investors?

To what extent investors are aware of the concept of Systematic Investment Plan?

What are the factors that influence the fund selection behavior of mutual fund investors?

To what extent the investors are satisfied with the mutual funds

What are the problems faced by intermediaries while marketing the mutual fund products?

1.3. Significance of the Study

The economic environment in India has changed over last few years. The standard of living and savings rates are also rising in the recent years. Choosing a wise investing option is very necessary to minimize the risk and to maximize the return because a balance is required to be maintained between the risk and return. SIP has played an important role in the Indian financial market. By using Systematic Investment Plan, the small investors can invest their small amount in the financial assets and take the return of financial market with minimum risk. A proper investment decision making and money management are necessary to select investment avenues according to their investment objectives.

SIP is best suitable for small investors who wish to invest small amounts regularly to build wealth over a long term. Through Systematic Investment plan, a small investor can also participate in the capital market. Mutual funds have a strong

regulation base and are always very keen to keep the confidence of investors. But compared to the other savings tools of bank deposits, insurance, pension fund etc., mutual fund preference is comparatively low and mutual fund so far have not been able to create a rural sector investment base. There is always need to know the investment decision making in a mutual fund, their scheme preference, perception about mutual fund and Systematic Investment Plan, fund selection behavior of mutual fund investors. It is also necessary to identify their satisfaction towards the mutual fund.

By identifying the most influencing factor and their level of satisfaction, fund managers able to design the product according to the needs of investors. And also policymakers can make legislation according to it. Marketing problems faced by intermediaries while marketing the mutual fund products is also one of the thrust areas in this study. Marketing problems are one of the barriers to reach the mutual fund products to the rural areas. This will be helpful to tap the untapped population. In this context, the present study is very useful and relevant to examine the factors influencing the fund selection behavior of investors, their attitude, and satisfaction while making investment decisions in the mutual fund.

1.4. Scope of the Study

A mutual fund is an important financial asset available in the volatile capital market. And Systematic Investment plan is the way of investing small periodic amounts in the assets class of your choice with the benefits of diversification and professional management. The study excludes the Systematic Transfer Plan, Systematic Withdrawal Plan. The present study limits its scope to identify the investor's decision in mutual funds, specific attitude to mutual fund and Systematic Investment Plan, their perception about SIP, fund selection behavior and their satisfaction towards the services of Asset Management Companies. The study makes use of both primary and secondary data to understand the growth of mutual fund industry in India. Marketing problems faced by intermediaries while marketing the mutual fund products also covered in this study. The study covers only individual investors and excluded the institutional investors and high net worth individuals.

Geographically the study limited to the state of Kerala, all the sample respondents are from Kerala. The study covers only the Indian mutual fund industry at the macro level and studied the investor's choice and opinion at the micro level.

1.5. Objectives of the Study

- To study the investment decisions of mutual fund investors in Kerala and investigate their investment objectives
- To examine the investor's perception regarding mutual fund and their specific attitude towards mutual fund
- To study the satisfaction of investors towards the mutual funds
- To understand the perception of investors towards the Systematic Investment Plan
- To identify the factors influencing the fund selection behavior of mutual fund investors
- To analyze the marketing problems faced by intermediaries while marketing the mutual fund products and also make appropriate recommendation for improving marketing practices to be more effective

1.6. Hypotheses

In accordance with the above- mentioned objectives, the following hypotheses are developed and tested with appropriate statistical tools.

- There is no association between the investment in mutual fund and the demographic profile of the respondents
- There is no significant difference in the investment objectives of mutual fund investors and their demographic profile.
- There is no association between the scheme preference of mutual fund and gender, educational qualification and monthly income
- The level of preference towards mutual fund is not affected by the duration of mutual fund investment, type of mutual fund and investment choice

- There does not exist a positive relationship between specific attitude of mutual fund investors' on their investment decision
- There is no association between the amount invested in SIP and the demographic profile of respondents.
- There is no association between the risk tolerance of investors and their demographic profile
- There does not exist a positive relationship between the fund selection behavior on their investment decision

1.7. Operational Definitions

Mutual Fund Investors

Mutual fund investors referred to as an individual or retail investor who has an investment in mutual fund products in the study period of June-November 2015 and their names appears in the record of any asset management companies official records. In this study, mutual fund investors do not include institutional investors and high net worth individuals. It includes only retail investors of the mutual fund who are using Systematic Investment Plan method for investment.

Systematic Investment Plan

Systematic Investment Plan is the way of investing in a mutual fund on regular basis with post-dated cheques for a particular period of time. Systematic Investment Plan manages the volatility effectively. If the market goes down, the investor gets more units and when the market goes up, the investor gets only fewer units.

Level of Preference

In the present study, investment preference is defined as the amount invested by individual investors in mutual funds. The investment preference is studied here based on the percentage of the amount of investment in mutual fund out of their total investment. And also investment preference is divided into three heads.

Low Preference: Percentage of investments in a mutual fund is less than 25 percent of their total investment.

Medium Preference: Percentage of investments in a mutual fund is in between 25 percent to 50 percent.

High Preference: Percentage of investments in a mutual fund is more than 50 percent of their total investment.

Investment Decision

Here, the investment decision can be defined as the amount invested by the individual investors in the mutual fund. In the present study, the percentage of investment in mutual fund out of their total investment was used to study their investment decisions.

Risk Perception

At the time of making an investment in the mutual fund, investor perceived about the risk aspects involved in a mutual fund is called risk perception. Risk perception is an important factor which influences the investment decision making in financial assets. Risk perception is the subjective judgment about the characteristics and severity of a risk.

Specific Attitude of Investors towards Mutual Fund

From the review of the literature, mainly four factors are identified that which influences the specific attitude of investors while making investments in the mutual fund. The factors are their awareness about a mutual fund, security and safety related aspects, risk perception and confidence of investors. Under this study, the specific attitude of investors towards mutual fund is defined as how these factors influence the investment decision of investors while making investments in mutual funds. In order to measure the specific attitude of respondents towards the mutual fund, different statements are developed under these four heads and the opinion of investors is measured by using the five points Likert scale.

Fund Selection Behavior

Fund selection behavior is defined as the behavior exhibited by the investors while selecting funds for their investments. By learning the previous literature, mainly three factors influenced the fund selection behavior of mutual fund investors. These variables are factors related to the schemes, factors related to the fund sponsor and investor related services. These are the factors the investor has taken into account while making the investments in mutual funds. Different factors are identified and incorporated into these three important variables. Five-point Likert scales were employed to measure the investor's opinion towards these factors.

1.8. Research Methodology

1.8.1. Research Design

The study is designed as a descriptive one based on both primary and secondary data.

1.8.2. Source of Data

Both the secondary and primary data have been collected and used for the study

(a) Primary Data

Primary data were collected from the individual investors of the mutual fund using Systematic Investment Plan and intermediaries of mutual funds. Structured questionnaires and interview schedules were used to collect primary data. Two questionnaires were used to collect data. One questionnaire is for individual investors and another one for intermediaries. Mailed questionnaires and interview schedules were also used for collecting data from intermediaries, for this, Google form was used for designing questionnaire. Academicians and nonacademicians were consulted for the study to get meaningful insight into investor's decision making in a mutual fund.

(b) Secondary Data

Secondary data were collected from journals, books, magazines, publications of various mutual fund organizations, websites of AMFI, websites of SEBI, websites of RBI and websites of various Asset Management Companies.

- Annual reports of RBI various issues
- SEBI Annual report 2000-2001 to 2016-2017
- SEBI Bulletin 2005-2017
- AMFI newsletter April 2003-March 2004 to April 2016-March 2017
- AMFI Monthly April 2003-March 2004 to April 2016-March 2017

1.8.3. Sampling Design

Multi-stage sampling was used for the collection of primary data. In the first stage, the state of Kerala was divided into three regions namely southern region, central region, and northern region. The classifications of districts in each region are given below;

Southern region: Thiruvananthapuram, Kollam, Pathanamthitta, and Alappuzha

Central region: Kottayam, Idukki, Ernakulam, and Thrissur

Northern region: Palakkad, Malappuram, Kozhikode, Wayanad, Kannur, and Kasargod

In the second stage, from the southern region, Thiruvananthapuram district was selected, Ernakulam from the central region and Kozhikode from the northern region based on the criteria of Asset Under Management of these districts are comparatively high in the group of districts in each region. So the assumptions were made that the number of investors is more there in these districts. In the third stage, from each region, 150 mutual fund investors who are using Systematic Investment Plan were selected by using purposive sampling method subject to the fulfillment of inclusion criteria such as gender, education, occupation etc. In the case of intermediaries of MF, thirty-five brokers, agents or independent financial advisors are selected from each region to study the marketing problems in a mutual fund.

Sample Size

The following statistical equation was used to determine the sample size of both the investors and intermediaries. The highest Standard Deviation (SD) of the items under the relevant variables estimated from the trial sample was taken for calculating the sample size.

The sample size for the study has been determined based on the following formula

$$n = \frac{Z^2 \times \sigma^2}{e^2}$$

Where;

n = Size of the sample

σ = Standard Deviation of the population -Estimated from the trial sample

z = Standard Variate at a given confidence level (1.96 for 95% confidence level)

e = Acceptable Error

The sample size was determined for both the questionnaires.

Table 1.1

Determination of Sample Size

	Sample Size for the Questionnaire for Investors	Sample Size for the Questionnaire for Intermediaries
Z @95%	1.96	1.96
Σ	1.19	1.1
SE	.11	.21
Sample size	449.5 \approx 450	105.4 \approx 105

For equal representation in each district, the sample sizes of investors are 450 respondents and intermediaries increased to 105. One -Fifty mutual fund investors each from these three districts were selected to study the investment decisions in

mutual fund and SIP. Thirty-five intermediaries in each district were also selected for identifying marketing problems faced by intermediaries while marketing the mutual fund products.

1.8.4. Instruments for Data Collection

Fieldwork and Questionnaire

For getting primary data, almost all Asset Management Companies working in three regions were visited to collect investors' details. The primary data were collected from the individual investors who use the Systematic Investment Plan in Kerala and intermediaries of mutual fund. Structured questionnaires were used to collect the information from the respondents. In certain cases, mailed questionnaires were also used to collect data. Some of the questionnaires were rejected due to the incompleteness of data. Two questionnaires were employed in the survey; one for individual investors for understanding their investment decision making in mutual fund and their perception towards Systematic Investment Plan and another one for intermediaries. Some of the questions in the questionnaire were of multiple choices. Open-ended questions, scale questions and rank questions were also included in the study. Five-point Likert's scale was used to study the research objectives.

Personal Interviews

Direct personal interviews were conducted with the managers and experts of various Asset Management Companies before the finalization of questionnaires to filter the variable according to the research objectives. The suggestions of managers of Asset Management Companies were incorporated to ensure the validity of the instrument. Telephonic and direct personal interviews were done with independent financial advisors and managers of Asset Management Companies to study the marketing problems of mutual fund products. Suggestions and opinion of the academicians are also incorporated in this study.

1.8.5. Period of the Study

The study was conducted during the period 2013 to 2018. The secondary data for assessing the performance of MF industry were compiled for ten financial years starting from April 2007 to March 2017. The primary data relating to monthly income, savings, investment, investment in mutual fund etc were collected for a period of six months from 1st June 2015 to 30th November 2015.

1.8.6. The Method of Analysis and the Variables Used

The study was to find investors' decision in a mutual fund with special focus to Systematic Investment Plan. Here, there are different variables and instruments were used for studying the investors' opinion about mutual fund and Systematic Investment Plan. Marketing problems of a mutual fund are studied from the point view of intermediaries.

The important variables included in the study are demographic profiles, investment decision in a mutual fund, perception towards mutual funds, specific attitude towards mutual funds, perception towards SIP, fund selection behavior and their satisfaction.

The important variables are listed below:

A. Demographic Variables of the Study

- a. Region
- b. Gender
- c. Marital Status
- d. Age
- e. Educational Qualification
- f. Occupation
- g. Monthly Income

A. Investment Decisions of Mutual Fund Investors

There are different variables are included in the study to understand the investor's decisions in a mutual fund. Both scale questions and multiple choice questions are used to satisfy this objective of the research. The variables are the savings and investment, objectives of their investment, amount of investments in MFs, years of experience in a mutual fund, scheme preference, choice of investments, organizational preference, and preferences of various AMC and no of schemes hold.

B. Perception towards Mutual Fund

Investors' opinion about the mutual fund are studied by using three variables, namely, the important characteristics of mutual fund persuaded them to invest in a mutual fund, encouraging factors for investing in the mutual fund and discouraging factors in a mutual fund. To understand the most preferred characteristics in a mutual fund, investors' were asked to rate their opinion on a five-point Likert scale of preferences(5= most preferred, 4= preferred, 3=somewhat preferred, 2= not preferred, 1= not at all preferred). To know the investor's perception towards the encouraging factors and discouraging factors are studied by using a five-point Likert scale of 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree, 1 for strongly disagree.

Table 1.2

Variables for Investors' Perception about Mutual Fund

Variables	Attributes/statements
Characteristic Preference of Mutual Fund Investors	Return
	Liquidity
	Safety & Security
	Tax Benefit
	Diversification
	Professional Management
	Capital Appreciation
	Less Transaction Cost
	Risk Protection
	Less Procedure
	Repurchase Facility
	Transparency in Operation
	Affordability
	Prestige Value
	Stable Growth
	Speculation
Quality of Service	
Encouraging Factors in MF	It is a good investment instrument
	It provides assured and consistent return
	It provides varieties of product
	Professional management of fund
	Transparency
	Reduce the risk of investors by diversifying the portfolio
	Simple to invest and monitor the fund
	Tax advantage
	Repurchase facility
Discouraging Factors in MF	Nonperformance of Funds
	Nonavailability of good service from mutual fund company
	Poor liquidity
	Inadequate research
	Overdiversification
	High risk
	Poor service quality
	High transaction costs
	Ineffective grievance redressal mechanism

C. Specific Attitude of Investors' towards Mutual Fund

Investors' specific attitude towards mutual funds are studied by using 16 statements, these are developed with the help of experts in the field. The four important dimensions are identified namely, awareness, safety and security, risk tolerance and confidence of investors. So, therefore, the investors were asked to rate their opinion on a five-point Likert scale. The score 5 for strongly agree, 4 is for agree, 3 for neutral and 2 for disagree and 1 for strongly disagree.

Table 1.3

Variable for Understanding the Specific Attitude towards Mutual Fund

Variables	Attributes/statements
Awareness	Investment in mutual fund help to reap the benefit of equity market
	Benefits of diversification can be enjoyed through mutual fund investment
	Professional fund managers manage the mutual fund
	Mutual Funds with high NAV is good for investment
Safety and Security	Private funds are more return-oriented than public sector Mutual Funds
	Growth schemes are better than income schemes
	Public sector mutual fund is more secure than private sector
	Investing in mutual fund yielding quick returns and capital appreciation
Risk Tolerance	Mutual funds are less risky compared to equity shares
	Diversification in mutual fund reduces the risk
	I note the risks involved in a particular scheme and invest only after assessing my risk tolerance
	Stock market volatility affect the return and risk aspects of mutual fund
Confidence of Investors	Mutual funds return and Performance is satisfactory
	The services of mutual fund managers were satisfactory
	Regulatory bodies handle the grievances properly
	SEBI and AMFI protect the interest of investors

D. Fund Selection Behavior

Three important variables are used to understand the fund selection behavior of mutual fund investors, namely, scheme related factors, factors related to fund sponsoring company and investor related services. Various subcomponents are identified in each head and investors' opinions were collected with the help of Likert scale. (5= highly important, 4= important, 3=neutral, 2= Unimportant, 1= highly unimportant)

Table 1.4

Variables for Measuring Fund Selection Behavior in Mutual Fund

Variables	Attributes
Fund Schemes	Return of the scheme
	Fund size
	Innovation in scheme
	Fund's brand name
	Risk of scheme
	Expense ratio of scheme
	Maturity profile of assets in portfolio
	Good rating by rating agency
	Options available for the scheme
	Entry load and Exit load
	Tax advantages of the scheme
	Withdrawal and transfer facilities
	Growth prospects of the scheme
	Schemes portfolio investment
	Minimum initial investment of the scheme
	Period of fund
Liquidity	
Fund Sponsor Company	Reputation/brand name of AMC
	Experience of AMC
	Location of AMC

Variables	Attributes
	Expertise of AMC for managing money
	Infrastructure of AMC
	Service quality of AMC
	No of fund offered by AMC
	AMC's innovativeness in launching scheme
	Research & Development of AMC
	Well developed agency network
	Ownership of the company(public/private)
	Net worth of AMC
Investor Related Services	Well explained scheme's features and risk in offer document
	Simple and well-explained account statement
	Easier investing process
	Multichannel investing avenues
	Disclosure of NAV on every trading day
	Speed of handling investor grievances
	Supporting of AMC
	Responsiveness
	Well informed websites
	Wider management facilities
	Prompt and transparent services
	Any time mutual fund
	Electronic clearing services
Online trading	

E. Perception towards Systematic Investment Plan

Perception of investors towards SIP was studied with the help of various questions like amount invested in SIP, sources of information about Systematic Investment Plan, most preferred features in SIP and awareness of different risk in SIP.

Table 1.5

Statements for Measuring Investor's Perception towards Systematic Investment Plan

Perceptual Factors	Close-ended schemes are less risky
	SIP schemes help in reducing unsystematic risk
	Higher tax shield should be provided for mutual funds
	SIP schemes are healthy for Indian business environment
	SIP schemes are better than one time investments
	SIP investment is better than directly trading in equity
	Regulatory bodies perform well
	SIP schemes diversify the risk of investor
	Mutual fund with large corpus perform well
	The investor who has control over his investment can make his own investment decision without advice from others
	Choice of SIP scheme completely depends on investor's risk profile
	SIP scheme is useful for small investor
	SIP schemes are the cheapest way to equity exposure
	It provides the benefit of cheap access to expensive stocks
	SIP schemes are like owning any other asset

F. Satisfaction of investors towards the mutual fund

Satisfaction of investors towards the mutual fund are studied with the help of following attributes are developed under three variables, namely, fund quality, fund sponsor quality, and investor-related service. The different subcomponents are identified and the investors were asked to rate their opinion on five points Likert scale of 5 for very satisfied, 4 is for satisfied, 3 for neutral and 2 for dissatisfied and 1 for very dissatisfied.

Table 1.6

Variables for Studying Satisfaction towards Mutual Fund

Variables	Attributes/Statements
Fund Quality	Return of the Scheme
	Risk of the Scheme
	Expense Ratio of the Scheme
	Tax Benefits
	Liquidity
Fund Sponsor Quality	Risk Mapping ability of OFund Managers
	Service Quality of AMC
	Disclosure of Valuable Information
	Strategy of Fund Managers
Investor Related Service	Transparency
	Responsiveness
	Grievance Handling
	Electronic Clearing system

G. Marketing Problems of Mutual Fund

Based on a review of literature and discussion with experts, mainly 8 issues in marketing mutual fund are identified and the opinions of intermediaries are collected with the help of a questionnaire. The brokers or advisers were asked to rate their opinion on five-point Likert scales ranging from strongly agree to strongly disagree. The following table list out the variables.

Table 1.7

Statements for Understanding Marketing Problems of Mutual Funds

Marketing Problems	The investors' are not aware of mutual fund products
	Lack of customer information is the biggest hurdle in selling mutual fund
	Non availability of quality distributors
	Strong regulatory platform
	Huge cost for entering into new region
	Agents also selling nonmutual fund products with mutual fund products
	Commission limit also another constraint for getting quality distributors
	Lack of improved technology

H. Factors for Improving the Quality of Distribution

The opinion of intermediaries is collected with the help of questionnaires. They were asked to rate their opinion on a five-point scale ranging from strongly agree to strongly disagree.

Table 1.8

Factors for Improving the Quality of Distribution of Mutual Fund

Statements	If distribution is done through banks and cross-selling of MF, it helps to reach out to rural people
	Distribution in MF is effective when it is done through the hands of IFAs
	Investing in mutual fund through ATM machine improve the customer response
	MF is available to rural people if it is distributing through post office
	Direct investment route enhance the distribution more effective
	Enhance cross-border sales
	Create technology-driven distribution facility in MF increases the business
	Enhance the CRM with customers as well as with channel partners
	Increasing the online investment facility improves the quality of distribution
	Employees provident fund organization should invest in mutual fund

1.8.7. Pilot Study and Reliability Statistics

The questionnaires were finalized after conducting a pilot survey to ensure reliability and validity of the questionnaire developed by the researcher. A pilot survey was conducted during the month of March 2015 among 60 mutual fund investors using Systematic Investment Plan in Kerala and 35 intermediaries were selected to understand the marketing aspects. Based on the pilot study questionnaire was modified according to the needs of the study.

In this study reliability of the scale was measured by using Cronbach alpha coefficient. An alpha value of 0.70 or above is considered to be a criterion for demonstrating strong internal consistency among scaled statements. Cronbach's Alpha for these scaled statements in both questionnaires is higher than the standard

Cronbach's Alpha coefficient of 0.70. Hence the internal consistency of the scales is obtained. The following tables depict the reliability statistics for all relevant constructs.

Table 1.9
Reliability Statistics-Questionnaire for Investors

Variables	Cronbach's Alpha	No. of Items
Characteristics of Mutual Fund	0.872	17
Encouraging Factors in MF	0.771	9
Discouraging Factors in MF	0.782	9
Specific Attitude towards MF	0.820	16
Satisfaction towards MF	0.724	13
Perception towards SIP	0.715	15
Fund Selection Behavior-Schemes Related Factors	0.793	15
Fund Selection Behavior-Fund Sponsor Related Factors	0.699	12
Fund Selection Behavior-Investor Related Services	0.777	14

Table 1.10
Reliability statistics-Questionnaire for Intermediaries

Variables	Cronbach's Alpha	No. of Items
Marketing Problems of Mutual Fund	0.758	8
Factors Affecting Penetration of Mutual Fund	0.776	11
Factors for Improving the Efficiency of Distribution Network	0.789	10

1.8.8. Content Validity Test

Content validity of the scale was ensured with the help of experts in this field and incorporates the views of academicians. Both the questionnaires are designed by

incorporating the suggestions and opinion of experts in the financial aspects. The questionnaire has been reviewed by the panel of experts to check whether the instrument appears to measure what it is supposed to measure and also make necessary modifications and suggestions.

1.8.9. Normality Test

Normality test was conducted with the help of Kolmogorov-Smirnov test and Shapiro-Wilk test and the result showed that the data is a nonnormal data, as the p values are less than actually required of 0.05. Hence, it is very important to test the Skewness and Kurtosis to see whether the deviation is problematic. Skewness and Kurtosis values should be in the range of ± 2.58 and ± 1.96 (Hair, Black, Babin, Anderson, & Tatham, 2006). Here, none of the values are above this limit and hence, univariate normality can be generally assumed. Hence, the researcher carried out the parametric test assuming it is a normal distribution.

1.8.10. Randomness Test

The Run test is used to test the randomness of data. The result shows that for all the variables, the p values are above 0.05. Therefore, the randomness of the data is assumed.

1.8.11. Tools for Data Analysis

Statistical Package for Social science (SPSS 20 version) was used to tabulate and analyze the collected data. To understand the performance and growth of mutual fund industry, resource mobilization in mutual fund industry etc were studied with the help of percentage analysis and compound annual growth rate. The investment decisions of mutual fund investors studied with the help of percentages, chi-square test, t-test, weighted average mean score, standard deviation and ANOVA. Perceptual information of investor about mutual fund and systematic investment plan studied with the help of percentage analysis, t-test, mean scores and chi-square test. Chi-square test was used to study the association between level of preference and demographic profile. The relationship between the investor's specific attitudes on the investment decision was studied by using simple regression analysis. Factors'

affecting the fund selection behavior is studied by using factor analysis. Multiple regression analysis was used to analyze the impact of fund selection behavior on the investment decisions of mutual fund investors.

1.9. Limitations of the Study

- Only individuals were included in the study and excluded institutional investors and High Net worth Individuals.
- This study has not been conducted over an extended period of time. The stock market also having both ups and downs which affects the investment decision making of respondents.
- Purposive sampling technique has been used for collecting data.
- The respondents are not ready to disclose their full investment details.
- A large number of macroeconomic factors which affects mutual fund investments like tax slabs, change in laws etc are not included in the study.

1.10. Schemes of the Study

The research work is organized into six chapters as detailed below

Chapter I: Introduction and Design of the Study

It deals with an introduction, statement of the problem, the significance of the study, the scope of the study, research objectives and hypotheses, research methodology, tools for data collection, period of the study, tools for data analysis, limitations of the study and chapter scheme of the study.

Chapter II: Review of Literature

It includes the detailed discussion on relevant literature in this area. The review of literature is organized into four different heads namely general investment behavior of investors, investor's specific attitude toward mutual funds, the performance of mutual fund industry in India and studies on investment behavioral models.

Chapter III: Mutual Fund Industry in India-An Overview

It deals with a detailed discussion on a conceptual framework for the study. It includes introduction, mutual fund concept and definition, evolution and growth of mutual fund industry in India, organizational structure of mutual funds in India, different types of mutual fund schemes, Systematic investment plan, benefits of systematic investment plan, recent trends in mutual fund industry, regulatory framework of mutual funds in India, mutual fund marketing, recent developments in mutual fund marketing ,marketing code for mutual funds and challenges faced by Indian mutual fund industry.

Chapter IV: Investment Decisions of Mutual Fund Investors

This chapter deals with the demographic profile of sample units, savings and investment of respondents, amount of investment in mutual fund and their level of preference, years of experience in mutual funds, investment objectives of the respondents ,micro and macro preference of various mutual fund schemes, preference on asset management companies and organizational preference of investors, most preferred characteristics of mutual fund, encouraging and discouraging factors in mutual fund, specific attitude of investors towards mutual fund and their satisfaction towards the services of Asset Management Companies.

Chapter V: Fund Selection Behavior in Mutual Fund and Investors' Perception towards Systematic Investment Plan

This chapter has discussed the amount invested in Systematic Investment Plan, sources of information about Systematic Investment Plan, awareness of the risk involved in SIP, risk tolerance level of investors, selection of SIP schemes, characteristics of SIP preferred among respondents and investor's perception towards Systematic Investment Plan. Factor analysis on the scheme related factors, fund sponsoring company related factors, and investor related services are used to study the fund selection behavior of mutual fund investors. The intermediaries' opinion on marketing problems, factors affecting the penetration of mutual fund and

also the factors for improving the quality of distribution channels also covered in this chapter

Chapter VI: Summary of Findings, Conclusion, and Suggestions

In the last chapter, a summary of the study, findings of the study, suggestions on the basis of findings, conclusion and the scope for further research are given.

Works Cited- Chapter I

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Chapter **2**

REVIEW OF LITERATURE

2.1. Introduction

A review of theoretical and empirical literature pertaining to the topic of the study is an inherent part of any research work. This is very useful to provide an insight into the problems facing the industry and methodologies adopted by earlier researchers to study the various aspects relating to mutual funds. Thereafter the empirical studies done on the similar areas of research in an international context as well as in Indian context were highlighted to find out the research gap. For this purpose, Research thesis, Journal articles, conference proceedings, working papers, articles in periodicals, reports of AMCs, and documents from different websites are reviewed and critically studied. In India, National Council of Applied Economics Research (NCAER) in 1964 was conducted a survey of the household to understand their saving pattern was the earliest study in this area. As the focus of the present study is on the role of Systematic Investment Plan in a mutual fund, their fund selection behavior and role of Systematic Investment Plan in mutual fund investment, review of the relevant studies have been presented separately. The review of literature is logically divided and presented under the following 4 heads:

- General Investment Behavior of Investors
- Investors Specific Behavior towards Mutual Fund as an Investment Options
- Performance of Mutual Fund Industry
- Studies on Investment Behavior Model

2.2. General Investment Behavior of Investors

Terrace Odean (1998) tested the disposition effect of investors while holding and selling stock by obtaining trading records from 1987 to 1993 from a large discount brokerage house. The investors have a tendency to hold losing investments for long period and sell winning investments for short period. Investors believed that current losers will be the future winners and current winners may sell investments to rebalance their portfolios.

Uma Shashikant (1998) examined the diversification benefits from international investments mainly focused on 20 emerging markets over the period of

1976-1996. The main objective of the research was to examine the risk and return characteristics of emerging market and make a comparison in the context of the developed market. Indian markets are very attractive to global investors due to superior diversification benefit than other countries. Domestic market factors and industry factors were significant in proportion to the return variance than global factors. The research findings are very much useful to the international portfolio managers, investors and also to the policy makers and market players.

Unni.C.J (2002) examined the consumption pattern of rural household in Kerala. The important variables used are sources of income, determinants of savings and operational and managerial constraints experienced by the investors while making the savings and investment, and disposal of savings etc. The study makes a comparison of the problems faced by the rural household and urban household. The result found that higher income groups had mostly invested from current savings whereas the lower income group had gone for the borrowed fund. The physical investment by higher income group was very low compared to lower income group. Lower income group prefer post office savings and chit funds for saving but higher income group prefer deposit account for saving. The income of the household increases, preference for financial assets also increases than physical assets. Level of education also influence the preference of financial instrument, level of education increases, there is a tendency to invest more amount in financial assets. Higher educated people prefer nonfarm assets than farm related assets. The study found that 69.85 percent rural household availed credit facilities from formal institutions and most of the respondents preferred money lenders and chit funds, friends, and relatives for meeting their credit requirements. Lack of fund, lack of awareness, lack of sufficient returns were the important problems faced by the rural household while going for investments. The study suggested that savings and investment potential of rural household in Kerala was high and for the mobilization of savings, more self-help group in rural areas should be developed and conduct more awareness programs.

Nicolo.G.Torre et al (2004) in their article found that investment problems of individual and institutional investors are different in some fundamental ways. The important problems faced by individual investors are multiple objectives, liability management, the presence of nonmarketable position and multiple risk horizons. They suggested some appropriate adaptation of institutional methods to suit individual investors. The adaptation measures are flexible to liquidate the investment at the end of one investment period and start fresh from cash at the beginning of the next period.

Mendal Jose (2004) conducted a study among the NRIs of Kerala about their investment peculiarities, the effectiveness of major saving schemes, major investment problem encountered by NRIs of Kerala and also the impact of NRI investments on the economy of Kerala. The exploratory design was employed to collect data. The research found that various factors were influenced the investment decisions of NRIs like NRI community, their educational levels, the place of employment or business, the effectiveness of various saving schemes, place of origin, their standard of living, various investment problems encountered etc. Poor infrastructural facilities, unproductive government service and attitude of the local leaders and political parties are the important problems faced by NRIs in Kerala. The study suggested that the state government should ensure the protection of NRI investors through policy decisions and their effective implementation and also conduct investor education programs for channelizing the savings into productive investments.

Hussein A Hassan Al –Tamimi (2005) critically examined the factors influencing individual investor behavior in UAE financial markets. The study resulted that expected return, get rich quick, marketability, past performance of selected stocks, government holding and creation of organized financial markets play an important role in the selection behavior of individual investors. Religious beliefs and family member opinion, expected losses had least influence the individual investor behavior.

Pei-Gi Shu et al (2005) they investigated the disposition effect of Taiwanese individual investors. Taiwanese investors exhibit disposition effect more strong than US investors. Aged female investor's reactions were more asymmetric to their gain than losses in disposition effect. Taiwanese investors have a stronger belief in mean reversion than US investors. The study suggested that cultural upbringing, inherent nature affect the disposition effect and belief in mean reversion should be shaped through cultural upbringing rather than acquired experiences.

George O Aragon and Wayne E Ferson (2006) provided a review of methods for measuring the portfolio performance and the evidence on the performance of professionally managed investment portfolios. The study revealed that fund manager had investment ability if it generates a return that can be expected to exceed that of an otherwise equivalent benchmark before costs and fees.

Pragya Gupta (2006) entitled his dissertation work as "Investment behavior of individuals in India with special reference to district Saharanpur". The study covers the investment objectives of investors, use of fundamental and technical analysis, time spend on investment analysis, mutual fund investment and influence of sources of information on investment decision making. The important sources of influence are friends and wealth-maximizing objective. Capital appreciation was the most preferred objective of investment and liquidity had the least impact. Education plays an important role in the investment decision making among the investors. Younger had greater risk appetite and they invest in equity oriented securities. The important factors influenced by the investors were good management, sizeable assets, growing sales, low P/E ratio and promoter's name. According to the study, bottom-up approach to stock picking gives good results. The study makes various suggestions in connection with settlement period, replacement of margin system, market timing, trading hours, enhance accountability, the reputation of brokers, make popularity of mutual funds and disclosure requirement.

Malcolm Baker et al (2007) analyzed the investor sentiments in the stock market by applying a top-down approach to behavioral finance and the stock market. The study revealed that stocks of low capitalization, Younger stocks, unprofitable,

high volatile, nondividend paying, growth companies, and stocks of firms in financial distress were more sensitive to investor sentiments.

Thusara George (2007) makes a study on the impact of foreign portfolio investments on Indian capital markets to identify the emerging trends and pattern of foreign portfolio investment inflows. The trend and patterns of foreign investment in two periods, 1984-85 to 1993-94 and 1994-95 to 2005-06 and also examined the trend and patterns of foreign portfolio investment from 1994-95 to 2005-06. During 1990-91 to 2005-06, the compound growth rate of FPI in India was 41.04 percent and compounding growth rate of FDI was 29.66 percent. The study suggested that careful planning and policy formulation is needed to avoid sudden capital flight as well as for optimum utilization of hot money and abolishment of long-term capital gain tax results better returns in the domestic market.

Marko Agatonovic (2010) critically examined the heavy-tailed analysis of stable portfolios and also the effects of the heavy-tailed distribution of asset return by using heavy tail sensitivity analysis, mean dispersion risk measure and the probability of risk measure. Relatively more wealth was allocated to a risk-free asset when using stable distribution than when using the normal distribution. The portfolios do not account for heavy tail risk and risk for the higher peak around when risk tolerance is low and high respectively

SEBI- National Council of Applied Economics Research (NCAER) (2011) attempted to study the income profile with market participation, the role of regulator, information and risk profile. The study pointed out that relatively low rate of participation by household in the security market. Fifty-four percent of all households treated commercial banks and insurance schemes as their primary choice for saving at all India levels. Indian households are very risk-averse in nature. Education plays a significant role in influencing risk preferences. The strong preference of investors towards mutual fund was forty-three percentages and secondary market was 22 percentages. In an urban area, forty-one percentages prefer mutual fund and forty-six percentages in a rural area. Education plays an important role in the participation in mutual funds. The reason for low participation by

households in the Indian markets was due to information asymmetry and poor quality of information. The study reveals that the investors who are participating in the mutual funds and secondary market depends mostly on the advice of intermediaries and friends.

Monika Uppal (2011) in her article examined the pattern of Indian investment and studied the awareness and preference of investors for alternatives available in the market. The study revealed that only a few types of investment were preferred among the investors. The investors had awareness regarding the bank deposit and insurance but most people little know about the money market, provident fund, and mutual fund. She proved that there is a low correlation of proportion of investment with age, qualification, and occupation. Most of the savings are directed towards in the tax savers and balanced Mutual fund.

Umesh Rawal (2011) studied the investor's behavior in the financial market and also judged the impact of the change and the growth of the investment market on individual investor behavior during post the liberalization period. The study comprised of diversification, determinants and the mobility of household financial portfolio. The important objective of the study was to identify the factors that affect the selection of various investment tools. The variables included in the study were age, gender, economic circumstances, decision maker, occupation, marital status, family size, No of earning members in the family, income from a permanent job, income from pension etc. The study suggested that the structure of financial products should be organized and also takes necessary steps to gain investors' confidence. The financial institution and policymakers should provide proper knowledge to investors regarding innovative products available in the market.

Cyriac Antony (2011) confined to the stock market behavior and was intended to device certain technique for investors to make a reasonable return on investments. A forecasting model was suggested for National Stock exchange index.Nifty based on autoregressive integrated moving average method was useful for fund managers and investors. Statistical reliability tools were applied to determine the period of investment and disinvestment. He also analyzed certain

problems associated with the construction of stock indices. It is clear from the study that the stock prices influenced by various factors namely future earnings, national and international events, the general market trend in the stock price, rates of inflation, interest rates and political developments. The important technique for getting an adequate return on investment was fundamental analysis and technical analysis, survival analysis and statistical control charts. The study suggested that policymakers may take necessary action to construct a new index on all listed securities or random sample of securities to measure the actual variation in the price of shares listed in respective stock exchanges.

Dmitry Salimov (2012) conducted a study to know the aggregate aspects of individual investor's behavior such as choice of shares of risky assets, amount of investment, choice of investment instrument and the duration of relationship with Investment Company. The demographic, socio-economic and various personality traits such as aversion to risk and cognitive skills are used to study the research objectives. The study revealed that irrationality appears on specific levels and it means the choice of aggregate level of risk by investors was actually quite rational and relies mostly on the ability of the investor to quantify and control the risk.

Lubna Riaz et al (2012), in their article "impact of psychological factors on investment decision making. Under this study, a model has been developed to describe the influence of risk factors, the effect of asymmetric information on investment behavior of investors while making investment decisions. Risk perception plays an important role in determining the investment style of investors and it also mediated the other factors on individual decision-making behavior. Information asymmetry, risk-taking behavior, and decision context affect the perception of risk associated with particular investment situations. Psychological factors of heuristics, emotional biases may have an influence on the investors' decision-making behavior.

Aparna Samudra et al (2012) examined the investment behavior of middle-class households in Nagpur by answering few question on the preferences of the investment instrument, investment pattern of the middle-class households to know

the objective of their investment. Bank deposit remains the most popular instrument followed by insurance with maximum no of respondents investing in fixed income bearing options and inconsistency with the preference of shares, mutual funds, real estate and small saving scheme.

Mahesh Arun Mahajan (2012) in his research work” Management of portfolio –A research study of investors” were designed to study the portfolio and investment pattern of individual investors and their attitude towards the profitability of investment portfolio based on their sex, age, education, occupation and income level. The study found that investors in Mumbai invest their portfolio irrespective of their age, gender, and education. The important sources of information which influence the investment decision making of investors were friends and relatives followed by newspaper or magazines. The order of investment avenue preference of investors in Mumbai was life insurance, real estate, gold and silver, mutual fund, bank fixed deposits, and shares. However, the investment portfolio of investors in Mumbai significantly differs on the basis of their occupation and level of income. Most of the investors decide their investment after considering various factors like past performance, industry analysis, company analysis, credit rating and economic scenario. The study suggested that, if SEBI made necessary changes in the portfolio management rules with regards to fees, it will help the investors to go for PMS. The investor had a high preference for mutual funds and SIP, so asset management companies should take more efforts to improve the NAV of the fund.

Abhijeet Chandra and Ravinder Kumar (2012) evaluated the individual investor behavior with respect to their investment decision making and made an attempt to investigate the factors influencing individual investor behavior in the Indian stock market. The selected behavioral factors were responsiveness, overconfidence, anchoring, gambler’s fallacy, availability bias, loss aversion, regret aversion and mental accounting influenced the investor behavior and the impact on stock price and returns. The findings revealed that heuristic factors and prospect theory both are influenced in the context of Indian individual investors.

Senthil Kumar (2012) examined the switching behavior of an individual based on socio-economic dimensions and also their satisfaction towards their investment decision making. Under this work, investor's opinion and financial expert's opinion towards their investment decision making were analyzed. Respondents who were above the age of thirty years capable of earning a fixed income were interested in the various avenues of investment. Indian women were more saving minded and they take full responsibility for investing their family savings in different avenues. The respondents are satisfied in investing gold because of its features of liquidity and transferability.

Job Joseph (2012) in his Ph.D. work emphasized on the financial literacy of economically marginalized people in Kerala and statistically tested with their demographic profile. The financial literacy rate of rural and urban was different. Education and income had a greater impact on the financial literacy of marginalized people in Kerala. Overall investment literacy rate was 83% and gold was the most preferred investment avenue. Marginalized people in Kerala not aware of 'No Frill Account' and less knowledge about capital market terms inflation and economic depression. Kudumbashree projects and other schemes played a crucial role in the money management of rural people. The study suggested that develop an institute for financial literacy and its service should be provided for the financial capacity building of targeted people. The government should pass mandate regulations to all lending institution to conduct awareness programs to the marginalized people.

Appa Rao (2012) studied the investor's perception and investment pattern of East Godavari and West Godavari districts of Andhra Pradesh. Investors had limited knowledge in security market its operation. Awareness towards the savings avenues like national savings certificates, Indira Vikas Patra/ Kisan Vikas Patra, postal savings schemes, mutual funds, insurance schemes, chits, bank fixed deposits, company fixed deposits, shares, bonds and debentures, government securities, real estate etc are high in the case of respondents. Friends and relative are the important sources of influence followed by national newspapers. The respondents are agreed that safety of the principal, capital appreciation, and regular income are the main

objectives behind the investment. The investor complaints are high in the stock market and about stockbroking firm, so stock broking should take necessary steps to resolve the complaints. The study suggested that conduct awareness program among rural people to expand investor base and make timely settlement of investor grievances.

Venkata Ramana Murthy (2013) aimed to study the investment behavior of working women in Kerala with a special focus on equity oriented securities. A high proportion of working women in is participating in the household investment decision. The growing confidence of managing money and earning capacity of working women can be attributed to this high rate of participation in the household investment decision. It found that women were entering into equity market through mutual fund and insurance. Majority of the respondents agree that equity investments are more suitable for them to achieve their financial objectives. Majority of the investors were investing in the equity oriented mutual fund because they are not aware of risk minimization schemes of the stop-loss trigger, systematic transfer plan, and switch plan. Hence government must take initiation to introduce a course on financial literacy to better educate future investors.

Alagu Pandian (2013) examined the investor's preference towards various investment avenues in Dehradun District. The main objective was to understand the factors considered by investor while selecting investment avenues. Age and occupation were the important factors which influence the behavior of individual investors and the investing ability also differ according to the age of investors. There is no relationship between the awareness with educational level, the income of the respondents. The study concluded that most of the investors prefer bank deposit as best investment avenue followed by gold as an investment in the study area. The investors cannot avoid risk by investing their money in various forms of investment.

Srividhya and Visalakshi (2013) studied about the savings and investment pattern among college teachers in Puducherry and Tamilnadu. The main factors that influenced the investors were a high rate of return, tax benefits, safety, convenience, and liquidity. Working people save money for education, marriage, security and also

for house construction purpose. Majority of the respondents feel that the best avenue for investment was deposit account and also help to manage the unpredictable future.

S.N Geetha et al (2014) discussed the influence of demographic variables on investment decision and also the influence of information technology on the operational efficiency of financial markets. The study revealed that capital appreciation factor strongly accepted by selected avenues. In the case of bank deposits, affordability factor, shares liquidity factor, mutual fund's safety and security factors are strongly accepted by the investors.

Sindhu K.Pet al (2014) examined the influence of risk perception on investment decision by identifying various factors like the unpredictability of return, information about financial assets, and the probability of incurring a loss, portfolio diversification, and dependence on the advice of professional managers. The main objective of the paper was to examine the relationship between the risk perception of investors in Kerala and their investment decision making in mutual funds. The investment decisions of investors were very much influenced by their risk perception of investors and the result is significant. The result revealed that mutual fund investors were financial conservatives, they were aware of the principle of higher the risk, the return will be higher. And at the same time, they understand that a diversified portfolio will reduce the risk.

Karthikey Koti (2014) analyzed the investor's perception of the stock market and various investment options by studying their objective of investment, sources of information regarding the investment and their attitude towards stock market investment. The result found that most of the people would like to save their earnings keeping future life and home purchase as their primary goals of investment. Investors preferred investment in bank deposit, real estate, investment in stock market etc. Many investors who don't like to invest in stock market. The study resulted in that risk to be the major cause for their noninvestment in the stock market.

Ahammed Lebbe Abdul Rouf (2014) examined the psychological bias disturbing the behavior of investors in Bahrain in investment choices before and after the 2007-2008 economic crises. The major psychological biases examined were overconfidence, representativeness, loss aversion, regret and group behavior. The study revealed that the psychological preconceptions affected investor before and throughout the crisis. The result showed that there was an optimistic relationship between regret and group behavior.

2.3. Investors Specific Behavior towards Mutual Fund as an Investment Option

Treynor and Mazuy (1966) evaluated the performance of mutual fund managers on the basis of their market timing abilities taking study period at the beginning of 1953 and ending of 1962 by using illustrative characteristic lines. The mutual fund managers had not able to predict the major turns in the stock market. The study revealed that investors benefited due to the fund manager's ability to identify the underpriced industries and companies rather their market timing abilities.

Joseph. M.A (2002) his thesis entitled "Mobilization of savings through mutual funds with special reference to Kerala" and assessed the attitude of investors, their awareness and adoption level towards the mutual fund. The study resulted that urban people subscribe mutual fund schemes largely and the investment by rural people was very negligible. Professionals and businessmen are the main contributors to mutual funds. Mutual fund schemes are popular among the investors having saving habits and that for meeting contingencies. The study found that UTI units are the highest profitable alternative available in the market. Income, reputation and past performance were the main factors which influence the mutual fund investments. Income scheme is the most preferred scheme among the respondents followed by balanced scheme and growth scheme. The study suggested that transparency, the disclosure of accounts, timely payment of annual accounts and advertisement campaigns can improve the performance of mutual fund industry.

Zahir Ahmad Gilkar (n.d) conducted a study on public and private mutual funds operational efficiency with a special focus on investor perception and need of marketing and product innovation during the period of 1996-97 to 2000-2001. The

study suggested that mutual fund products should be designed to attract new investors.

Kavitha Ranganathan (2006) studied the fund selection behavior of mutual fund investors in Mumbai city and also examined their conceptual awareness towards mutual fund during the period of July 2004 to December 2004. She noted that financial markets were affected by the financial behavior of investors. The study revealed that pension and provident were the most popular savings instrument among the individual investors of Mumbai. Asset preference pattern of investors provides an insight into the investment attitude of investors which influenced the policy formation for gathering the individual savings.

Soumya Guha Deb et.al (2007) in their paper on “Market timing and stock selection ability of Mutual funds in India-An empirical investigation attempts to evaluate the performance of mutual funds and identify ways of evaluating successful fund managers for stock selection and market timing abilities using both conditional and unconditional approach. There is an ample evidence of good performance is so far as stock selection ability is concerned. Fund managers were more inclined towards stock selection than market timing.

Sanjay Das (2008) examined the investor’s perception of Mutual Fund and evaluated the factors affecting the mutual fund selection. Investors’ perception and opinion was studied by taking the variables of type of MF scheme, main objective behind investing in MF scheme, level of satisfaction, investors’ opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. Investors had a positive approach to mutual funds. Liquidity, flexibility, tax savings, service quality and transparency were the factors which had a higher impact on the perception of investors. There is no significant difference in the opinion of the investors of public and private sector mutual fund with regard to liquidity, flexibility, savings on tax, service quality and transparency. There is a significant difference in the opinion of both the public and

private sectors MF investors on the factors of management fees, return on income and security.

Bhagaban Das et al (2008) attempted to study the behavior of investors in the selection of mutual Fund and LIC schemes in an Indian perspective by making a comparative study. Age, educational qualification, gender, objectives etc are tested on investment behavior. The study helps the individual to make wise decision investing their savings and companies can improve their products and can adopt opposite strategy to tap the unexplored market in a better way. Majority of investors preferred investments with the objective of capital growth followed by tax saving and retirement planning.

Zoran Ivkovic and Scott weisbenner (2009) studied the determinant of mutual fund flows with particular attention to individual investors mutual fund selling decision, tax motivations, redemption decision, individual's fund inflows and outflows in the period of 1991to 1996.The result revealed that there is a negative relationship between the probability of sale and post mutual fund performance.

Punita Soni and Iram Khan (2009) evaluated the performance of Systematic Investment Plan with other investment avenues on the basis of income, investment term, risk, tax benefits and liquidity in the individual portfolio management. The study concluded that Systematic Investment Plan is more simple, return-oriented in comparison with other investment avenues. Investors prefer Systematic Investment Plan because it helps them for minimizing the cost and maximize the return on the individual portfolio.

Mamta Batra (2010) evaluated the current marketing practices of a mutual fund by using exploratory design has been made according to marketing mixes such as product, price, promotion, place and some other issues relating to mutual fund marketing. Positive growth had been registered by the mutual fund in terms of resource mobilization as well as marketing practices adopted by marketers of a mutual fund. Growth or equity scheme is the most preferred scheme among the respondents. Infrastructure and real estate were the most preferred, while power sectors were the least preferred sector among the respondents. The result suggested

that public sector companies must change the marketing strategies to improve the profitability and conduct investor awareness program. Allocation of the fund to an individual market segment of the public sector was comparatively low to the private sector. Public sector companies should spend more amounts on the individual market segment. Adequate and timely information of dividend also influences the profitability of Asset Management Companies. And the study also recommended that SEBI should grant more advertisement budget to mutual fund companies to attract new customers.

Mohit Gupta (2010) studied mutual fund selection behavior of retail and nonretail investors with an objective of an assessing the perception of investors. The study found that under the mutual fund scheme construct, mainly four factors emerge namely managerial and intrinsic attributes', 'performance and asset profile', 'third party assessment' and 'extrinsic attributes'. Retail and nonretail investors attached more importance to performance and asset profile'. Retail investors gave lowest to importance to performance and asset profile' and nonretail investors gave 'extrinsic attributes'. The importance of selection criteria relating to mutual fund companies, both the investors attach more importance to the reputation or brand name of AMC'. In the case of selection criteria relating to investor services, retail investors attached more importance to 'responsiveness' and nonretail investors gave the highest importance to 'adequate disclosures and easiness in investing'. In the case of behavioral factors, nonretail investors are more rational compared to retail investors. Experience and reputation, scheme, performance and asset profile were the common factors which influenced both the retail and nonretail investors. It recommended that asset management companies should rethink their media strategy, try to optimize the resources on advertising and they try to focus on more differentiating points in order to make them more effective in the context of scheme selection.

V. Prabhakara Reddy (2010) examined the relative performance of public and private mutual funds in terms of resource mobilization, investment behavior and general efficiency and also evaluated the impact of the entry of private and foreign

mutual funds on the growth, fund mobilization, portfolio investment behavior, financial performance and the level of satisfaction among investors of the public sector mutual funds. Satisfaction level of investors towards return is not found to be different from the public-private sector mutual fund. Risk and returns of sample mutual fund of public sector schemes have earned a higher return than private sector mutual funds. By considering the safety aspects of investment, the respondents agreed that bank deposit and post office savings are safer compared to private chit funds and equity shares. The investors felt that public sector mutual funds were safer than the private sector. The study reveals that retail players and high net worth investors invested most of their funds in equity schemes and balanced schemes. The demographic features of age, sex, geographical location, education, occupation and monthly income had no influence on the level of satisfaction with the returns and services of public and private sector mutual fund. The study suggested that public sector mutual funds design customized mutual fund schemes to suit the varied needs of investors and mutual fund companies should introduce tailor-made pension schemes to tap the savings of investors.

Bhuvaneshwari (2010) analyzed the market timing and stock selection ability of fund managers by using four models proposed by Treynor, Mazuy, Henriksson, and Merton. The results of the study indicated that there is no significant difference in the performance of equity schemes to their market movements during the study period. Public information was the most important variable to be considered while evaluating stock selection and market timing ability.

Sanjay Kumar Mishra (2011) examined the impact of investors perceived purchase risk, investors knowledge and investors purchase decision involvement on their investment behavior specifically information search and information processing behavior and proposed new comprehensive model of investors behavior to explain how investors purchase risk, investors knowledge and investors purchase decision involvement interact to influence their investment behavior. Mutual fund companies can segment policy decision involvement in order to develop different market strategies to attract various categories of investors. Through this study,

consumer behavior theory was deepened on the understanding of how investors make buying decision for intangible financial products. Mutual fund companies should redesign their distribution channel to promote their funds among the investors.

S. Priya (2011) in her Ph. D work “investors attitude and behavior towards Mutual fund investment in Kerala” tried to find out investors behavioral aspects, the expectation of investors, risk tolerance level of investors , perception of mutual fund investors towards mutual fund investment, problems encountered by the mutual fund investors and the level of grievances and redressal mechanism in Kerala. The study found that most of the small investors preferred bank deposit and gold for investment whereas large investors prefer mutual funds and real estate. The important sources of information the respondents was brokers or agents. There is a significant association between various demographic features and investment objectives. The important factors which influenced the small investors were liquidity, brand equity, the risk involved and past performance of the fund, whereas scheme’s portfolio, the reputation of fund manager and type of fund were the factors which influenced the large investors. The study revealed that the important factor selected for choosing mutual fund was service quality portfolio. In today’s volatile market environment mutual funds are looked upon as a transparent and low-cost investment vehicle which attracts a fair share of investor attention helping the growth of the industry. Asset Management Companies need to reorient their business towards fulfilling customer needs. AMC should take much care in hiring and appointing fund managers.

Purnima Umesh Mehta (2011) analyzed the investor’s preference towards mutual fund and problems of investors while investing in the different schemes of a mutual fund, investment alternatives, and factors influencing investment. The study revealed that mutual fund is a good investment avenue suitable to all types of investors. Net Asset value, higher return; repurchase facility, the reputation of Mutual Fund and market trends were the influencing factors of the selection of Mutual Fund. The study suggested that AMFI should conduct awareness programs

frequently to educate customers. Mutual fund companies should dispatch their annual reports to the investors for understanding the financial position of the company. AMC must improve the investor service to attract new investors and for retaining the existing customers.

V.M Selva Raj and Bala Murugan (2011) dealt with a profile, mutual fund scheme selection, factors influencing the selection of mutual fund among investors and their perception towards mutual fund during the period of 2010 June to August 2010. The study indicated that middle-aged persons are very conscious about saving and investment and it was widely prevalent among men than that of women. Investors considered the brand name, rating by a rating agency, and innovative scheme, products with tax benefits, schemes, and portfolio constituents while investing in the Mutual fund.

Simran Saini et al (2011) analyzed the mutual fund investor's investment behavior by studying their preference to various mutual fund schemes, their objective behind investing in mutual fund, role of financial advisors and brokers in fund selection, investors opinion relating to factors that attract them to invest in mutual fund, sources of information, deficiencies in the service provided by mutual fund managers and challenges before the Indian mutual fund industry. Mostly the investors had a positive attitude towards investing in mutual funds. In order to increase the confidence of investors, mutual fund organization should provide adequate and reliable information relating to different trends in the Mutual fund industry.

Debalina Roy and Koushik Gosh (2011) tried to find out the investment in Systematic Investment Plan and also compared the systematic investment plan with a lump sum investment plan in terms of risk and return. People with higher income had higher risk taking capacity and service holders generally prefer investments in fixed deposit, bonds, and businessman were inclined to the equity market. The risk in Systematic Investment Plan expected to be less than that by lump sum investment in mutual fund. Systematic investment plan seems to be an easy way to enter into the benefits of stock market investments for small investors. Young investors were

tending towards mutual fund investment and preferring Systematic Investment Plan more than aged investors.

Hundal et al (2011) attempted to study the perception of service class people towards systematic investment plan by using factor analysis and cluster analysis. The main factors that were extracted are security, cost-effectiveness in the Indian economy, better investment option, professional management and useful for small investors. People had a positive attitude towards Systematic Investment Plan.

Shelly Singhal et al (2011) evaluated the systematic investment plan with one time investment on the basis of return during 2001 to 2011 by using Sharpe, Treynor and Jensen index describing market rate return, risk free rate of return, NAV of SIP plans, NAV of one time investments, standard deviation of SIP plans and one time investment. The result reported that Systematic Investment Plan has performed better than one-time investment.

Salimath (2012) critically examined the role performed by Mutual Fund as a financial service in Indian Financial market and the investor's inclination towards the mutual fund. The investment practice of respondents of investors in Hubli-Dharwad was studied and analyzed on the basis of their annual income, savings, factors influencing investment, priorities of investors and characteristics of investment instrument. Mutual fund companies need to reorient their business towards fulfilling their customer needs. Innovation should be done on the distribution channel and increase the number of advisors or agents in rural areas to catch the untapped population. The AMC should take efforts to conduct financial literacy programs and awareness programs to improve the investor education in MF.

Viyanna Rao and Nirmala Daita(2012) studied the fundamental factors influencing investments in Mutual Funds. They elucidated that before investing in Mutual Funds, investors had to analyze the factors of the economy, industry, and company within the investment environment in which they operate. The real economic variable considered for the period were not significantly influencing the investments in Mutual Funds and are not reliable to predict the market movements.

Dimple and Ritu (2012) investigated the factors influencing the investment decision of retail investors during mutual fund schemes. Investors invest their money in a mutual fund with the objective of a good return, safety and a tax benefit. The most preferred investment vehicle of investors was bank deposit followed by mutual fund and equity investments. The most important factor considered by mutual fund investors were quality of fund or schemes, sponsors past performance of risk and return, the reputation of the sponsor and their expertise in taking a decision about when they invest their money in mutual fund schemes.

Ravi Vyas (2012) examined the mutual fund investor behavior and perception in Indore city and found that mutual fund was not that much known to investors, investor rely upon bank and post office deposits. Most of the investor used to invest in a mutual fund for not more than 3 years and they used to quit from the fund which was not giving desired results. A large number of investors not analyzed risk in their investment and they were depending upon their broker and agent for this work.

Nishi Sharma (2012) attempts to investigate the reasons reasonable for lesser recognition of Mutual Fund as a prime investment option by exploring three factors such as fund or scheme related attributes, monetary benefits, and sponsors related attributes which may be offered to investors for securing the patronage. The result revealed that in order to secure the patronage of Indian investor Mutual fund companies are expected to ensure full disclosure of valuable information and regular updates along with regular return and capital appreciation of their investment.

Kasthuri (2012) conducted a study on the selection criteria of individual investors of mutual fund in the city of Vishakapatnam and analyzed the performance of mutual fund on the basis of return, risk, and Net Asset Value. Indian investors looking mutual fund as a commodity product with the aim of getting higher return and diversification. Investor awareness and financial literacy programs must conduct by regulatory bodies for installing and invigorating the investor beliefs and assurance.

Duraipandi (2012) pointed out that, the investment in mutual fund schemes has phenomenally increased. The growth witnessed being 25 to 30 percentages. The retail investors had interest in investing in equity related schemes. Retail investors are gradually beginning to understand the concept of mutual fund and its importance as an investment avenue. The study stressed that the success of any new product particularly a financial product largely on its acceptance by the consumer. A mutual fund must undertake a well designed and comprehensive programme of investor education especially aimed at investors in rural and semi-urban areas.

Larry.J.Prather (2012) analyzed the implications of portfolio risk management of mutual fund investment by using hypothetical investment return of more than 300 mutual funds over thirteen year period. The study revealed that risks were not homogeneous and the average risk of load and no load funds differ statistically. The significant differences exist even after controlling for the load structure of the fund and those risk differences have significant implication for portfolio risk management.

Rajesh Kumar (2012) evaluated the performance of mutual fund especially equity and hybrid schemes in terms of return and risk and also studied the perception of investors towards the mutual fund. The study revealed that mutual fund industry was registered growth both in terms of a number of schemes and resource mobilized during the period 2003-2012. The analysis concluded that majority of investors had good knowledge of mutual funds and perceived themselves as moderate risk bearer. The study recommended a need for improving the efficiency of investor grievance cell, the introduction of new and innovative schemes to cater the varied interest of the investor, increase transparency in the operation of the mutual fund, improve the customer services and assuring the benefits of professionalism.

Payal Kansal (2012) entitled the study as “an analytical study of growth and prospects of mutual funds in district Meerut. The study resulted that saving rate of investors was high in Meerut district and mutual fund industry also good in Meerut. The study suggested that fund managers’ strategy must be reoriented to make more investor confidence.

Raja Mannar and Ramachandra Reddy(2013) their study elucidated the opinion of investors, brokers and fund managers. Profile of investors has a significant impact on investor's decision relating to investment and particularly in mutual fund investment. According to the opinion of investors, brokers and fund managers, service quality was the important factor which influences the success of mutual fund industry. The nature and intensity of financial needs differ from investor to investor based on their requirement, objectives and economic status.

Jaisun (2013) made an attempt to study the perceived risk of investors of stocks, mutual funds and Unit Linked Insurance Plans in Virudhunagar district. ANOVA, Post Hoc tests, MDS and Factor analysis were undertaken to study the perceptual information about investors. The study found that Unit-linked Insurance plans were most preferred among respondents. Based on Structural Equation Modeling, mainly three factors were identified which influence the investment decision, the factors are facing investment risk, observing investment and perceiving investment protection.

Sanyasi Raju (2013) studied the attitude of mutual fund investors under four dimensions of awareness on the functioning of a mutual fund. Post-purchase behavior, investment options are stimulating factors. Investors are under the strong influence in investing in mutual fund schemes. Fund agencies should take measures to promote the financial advisors/agents in order to gain mutual fund benefit to the funding agency as well as mutual fund investors.

Sweta Goel (2013) evaluated the performance of mutual fund by analyzing load status, expense ratio, minimum initial investment, risk, the age of mutual fund schemes, asset size, and asset ratio. The study also evaluated the investor's opinion towards the mutual fund. Jensen alpha and past return by using data envelopment analysis, logistic regression model, ANOVA and factor analysis were used to analyze the data. Investors considered Indian mutual fund industry as a nonperforming one. Therefore companies should take corrective measure to improve their performance.

Shilpa Sachdeva et al (2013) analyzed the development of behavioral finance and the selection pattern of investors in the Mutual fund. Investors selection patterns were studied in the context of different decisions like loss adverse behavior, a decision based on portfolios, investors behave parallel etc. The empirical evidence resulted that risk perception of investors depended on their age, experience, income, education qualification with their investing pattern or selection of particular brokers for their investment. Risk perception was about the delicate balance and synergic interaction between risk mapping, liquidity component, people and organization in order to gain and sustain competitiveness in the highly volatile environment.

Y. Prabhavathi, N.T. Krishna Kishore (2013) entitled the study as investors preference towards mutual fund and future investments, the main focus was attitude, preferences, and awareness of mutual fund investors. The investors ought to be cautious in selecting the schemes, sectors and various asset management companies. Mutual fund industry which has enormous growth opportunities and the regulators take strict regulation to protect the interest of investors and enhance the mobilization of resources in the economy.

Sindhu.K.P (2013) entitled her study as the driving forces of mutual fund and it includes the investor's attitude towards various avenues, perception towards risk in mutual fund and fund qualities preferred among mutual fund investors. A statistical model was developed by incorporating risk perception of investors, the investment-specific attitude of investors, characteristics of mutual fund and qualities of fund management. The result suggested that the investors should have a habit of saving regularly to earn some extra money consistently through changing market scenario since small savings will grow into the bigger capital base. An investor should consider the various factors such as higher return, the degree of transparency, efficient service, fund management and reputation of the mutual fund while selecting the mutual funds. The study recommended that the AMC should provide customer friendly services in the form of advisory services, the participation of investors in portfolio design, the disclosure of information and proper consultancy services.

Basil John Thomas (2013) examined the mutual fund investors' behavior in Kerala and aims at tracking investor's preferences and priorities towards a different type of mutual fund products for identifying key features of mutual fund for deciphering sustainable marketing variable in the design of a new mutual fund product. The key factors influencing fund selection behavior of mutual fund investors were service quality, fund quality, the core of the product, promotional mix, investor's confidence and fund sponsor quality. Mutual fund investors in Kerala give more preferences towards open-ended and growth-oriented schemes. The product performance satisfaction level of mutual fund investors differ in accordance with the fund opted by investors.

Chiranjeevi (2013) revealed that private sector Asset Under Management had grown CAGR of 38% than public sector Asset Under Management and equity scheme's gearing ratio was greater than income/debt schemes during the study period of 2000-2001 to 2010-2012. Safety of the investment was the most important objective while investing in mutual funds. Mutual fund penetrations were very low and develop appropriate marketing strategies to tap individual investor as well as institutional investors.

Rekha Rathore et al (2014) made an attempt to study the attitude of investors towards a mutual fund in Haryana by using convenient sampling method. The findings and implications of research help the organizations to identify the attitude of various investors so as to improve the marketing of mutual funds. The study found that investors have a positive attitude towards their investment made in mutual funds. Majority of investors prefer to invest in a mutual fund to get maximum return with minimum risk.

Sumathy Kumaraswamy (2014) critically compared the favorable regulation, the transition to greater openness, greater investment opportunities, freedom to repatriate and transfer profits, low penetration of Asset Management Companies as compared to global markets. The study revealed that huge potential for Islamic funds and a wide array of Islamic and conventional funds. Islamic fund provides a solid

and strong foundation for the development and growth of mutual fund investments in Bahrain.

Neeraj Rani Aneja (2014) evaluated the growth of mutual funds and problems faced by mutual fund industry in India and suggest some measures to make mutual funds more successful in India. Mutual fund products need to be simplified if they had sold to the masses through a public sector bank channel and also the products need to be solution oriented. The study suggested that measures need to be taken to improve the existing infrastructure and to bring more efficient by using the back up of good technology mix.

2.4. Performance of Mutual Fund Industry

Michael.C.Jensen (1968) evaluated the performance of 115 open-ended mutual funds during the period of 1945-1964. From the selected sample funds, 39 funds had above average return and 76 funds performed lower than average return. The mutual fund managers had not able to predict the security prices and to increase the investor base. The study suggested that the fund managers must evaluate the cost and benefit of the fund and trading activities to get better results.

Redman et al(2000) compared the performance of global and international mutual funds by taking three time period of 1985-1994, 1985-1989 and 1990-1994. The world, foreign, Europe, Pacific and international portfolio compared with US benchmark Vanguard index 500. The study resulted that during 1985-1994, international mutual fund outperforms the US market and portfolio. During 1985-1989 and 1990-1994, the international fund portfolio outperformed both US market and domestic portfolio.

Aravazhi Irissapane (2000) examined the scheme wise investment returns to the unitholders, portfolio composition, and liquidity aspects. The opinion of the unitholders with regard to the performance of selected close-ended mutual fund schemes and the extent of the services rendered by the study units namely UTI, Can bank mutual fund and LIC mutual fund during June 1988 to July 1998 to its

investors. The selected 34 mutual funds were not able to satisfy the investors' expectations.

George Athanassakos et al (2002) they conducted a study to evaluate the performance of Canadian mutual fund between 1985 and 1996. Treynor and Mazuy model was used to assess the stock picking and market timing abilities of mutual fund managers. Canadian mutual fund, in general, had not demonstrated any stock picking or market timing abilities during the study period with the possible exception of resource funds.

Anand S and Murugaiah V (2004) in their work "Analysis of components of investment performance – an empirical study of mutual funds in India," made an attempt to examine the components and sources of investment performance in order to attribute it to specific activities of Indian fund managers. It also attempts to identify a part of the observed return, which is due to the ability to pick up the best securities at given level of risk. The study covers the period between April 1999 and March 2003 and evaluates the performance of mutual funds based on 113 selected schemes having exposure more than 90% of the corpus to equity stocks of 25 fund houses. The empirical results reported here reveal the fact that the mutual funds were not able to compensate the investors for the additional risk that they have taken by investing in the mutual funds. The study concludes that the influence of market factor was more severe during negative performance of the funds. While, the impact selectivity skills of fund managers was more than the other factors on the fund performance in times of generating positive return by the funds. It can also be observed from the study that selectivity, expected market risk and market return factors have shown closer correlation with the fund return.

Leelamma (2004) investigated the performance appraisal of SBI mutual fund with a special focus on Kerala state. Investors are investing in mutual fund expecting a high return and low-risk coverage. Political instability, the crisis in capital market and adverse international developments are lead to the poor performance of the mutual fund in India. The study also proved that fluctuations in the stock market adversely affected the return on mutual funds. SBI mutual fund

managers aware that expectations vary from investor to investor and attract more investors more features should be attached to different funds.

Sharad Panwar and Madhumathi (2006) examined the sample of public sector sponsored and private sector sponsored mutual funds of varied net assets to investigate the differences in the characteristics of assets held, portfolio, diversification and variable effects of diversification on investment performance for the period May 2002 to May 2005. There is no statistical difference between public sector sponsored and private sector sponsored mutual fund in terms of return percentage and portfolio characteristics.

Ghanshyam. N.Chavda (2006) examined the performance of private mutual funds in India by taking the return and risk aspects and also evaluated the investment pattern of Indian private mutual funds during the period of 2001-2002 to 2004-2005. Sharpe ratio, Treynor's and Jensen models were used to evaluate the return and risk associated with private mutual funds. By analyzing the investment pattern of investors, there is an association between the demographic features and savings habits of respondents. The study suggested that mutual fund industry should extend their business to small towns and cities and advertise their products in regional languages to attract rural people.

Lakshmi.N (2007) investigated the performance of mutual fund industry. The growing popularity of mutual fund proves that it is an ideal investment vehicle for small investors having limited information and knowledge to enter today's complex and modern capital market. The domestic mutual fund industry has grown by fifty percentages particularly through systematic investment plan from retail participants. The study suggested that mutual fund activities could be linked with the banking institution through electronic clearing, plastic money, and e-units of mutual fund for an easy transaction. Investors had to make a self-analysis of one's needs, risk bearing capacity and expected return so as to develop a prudent investment ideology.

James PM (2007) conducted a study with the aim of examining the influence of sectors of Asset Management Companies and the categories of funds on

expense, income, net assets and corpus of Asset Management Companies and also evaluated the efficiency of portfolio management of various Asset Management Companies. The study resulted that there exists a wide range of diversities in the matter of profile, structural composition and behavior pattern in the respect of expense, income, corpus net asset of Asset Management Companies as well as in the risk characteristics, risk-return, relationship, ability to cover the risk-return market timing ability and portfolio diversification of schemes across the sectors and categories.

Dnyanendra.G.Ande (2008) made an attempt to determine the factors affecting the performance of mutual fund equity scheme. The main objective was to give direction to the fund managers to align their schemes from low performing scheme to high performing scheme. Stock selection and timing, risk management, existing returns of the scheme and excess return over benchmark return were the factors influencing the performance of open-ended mutual fund scheme. It is useful to fund managers and investors to monitor the performance of their schemes and to come out with appropriate vital strategies to align their portfolio and ensure high performance.

Anima Rani (2010) makes an analytical study on the performance of mutual funds by evaluating beta, alpha and market timing abilities of fund managers. Open-ended and closed-ended funds were taken from May 2003 to October 2009. Based on Net Asset Value of open-ended scheme forty schemes out of sixty-five schemes had a positive impact and performed better than market index. Based on the market prices of the fund, eight schemes out of thirteen schemes had a positive impact and performed better than market index. Based on Net Asset Value of closed-ended scheme twenty-four schemes out of fifty-five schemes had a positive impact and performed better than market index. Based on the market prices of the fund, seven schemes out of ten schemes had a positive impact and performed better than market index.

Chetana .T.Parmer (2010) investigated the performance of mutual fund industry in India and constructed a portfolio on the basis of beta, P/E ratio, NAV and

return. The study resulted that the schemes affected by market volatility and risk bearing capacity of fund managers.

Syed Ali Raza et al (2011) in their study was to find out the performance of Pakistani mutual fund industry. The performance of mutual fund considered to be very well relative to the market portfolio. Market portfolio and Pakistan investment bond are having a positive and significant impact on the yearly return of different mutual funds but dividends having a negative impact on the yearly return of mutual funds.

Sarika Keswani (2011) studied the effect of fund size on the performance of balanced mutual funds in India. The proven hypothesis said that there are no correlation coefficients of fund size and performance variable are not significant. The result found that there was no conclusive evidence by way of statistical significance to suggest that the fund size affects the performance of balanced funds in the Indian context.

P.K.Mishra (2012) investigated the dynamics of the relationship between gross funds mobilized by mutual fund and the real economic growth during the period of 1970-1971 to 2008-2009. Gross fund mobilized and economic growth were the important variables under the study. Mutual fund industry plays a critical role in mobilizing the economic surplus for investment in productive avenues. Role of the mutual fund increased day by day because of resource mobilization, allocation of resources, and development of capital market and growth of the corporate sector. Ineffectiveness of supervisory control, prudential regulations, lack of availability of basic infrastructural facilities and trained manpower have badly affected the performance of the mutual fund.

A Vennila (2012) examined the nature and pattern of competition existing between different sectors of mutual fund and within the mutual fund for the period of five years from 2006 to 2011. The investors should not only consider the past performance of funds in order to select asset management companies for their investment but also their portfolio evaluation with regard to fund manager's

thoroughness in deciding asset mix is an important criterion that eventually matches the vision of fund managers with investors satisfaction.

Smiti Brar (2012) analyzed the intensity of competition in the mutual fund industry by comparing the performance of public sector sponsored mutual funds with private sector mutual funds. The study concluded that mutual funds in India are becoming better and better in handling market and fund's specific risk. Private sector mutual funds were better than public sector sponsored mutual funds.

Kameshwari (2012) made an empirical study on the preference of mutual fund investors in Vishakapatnam and evaluated the performance of mutual fund industry in India. The result found that, during 2002-2012, mutual fund industry reported at a high growth. Majority of the investors prefer to invest for a short-term period. The mutual fund industry must provide after-sales services to investors to increase the inflow of fund to the mutual fund industry. Investor's awareness and financial literacy programs must conduct by SEBI to strengthen the industry.

Chou and Wen-Hsiu (2012) evaluated and compared the portfolio preference of domestic and foreign mutual funds in developed and emerging markets over the period of 1998 to 2007. Foreign and domestic mutual fund have some different preferences towards firm characteristics, firm's information environments, and economic developments. Foreign and domestic mutual fund plays a crucial role in monitoring the portfolio of firms.

Shivani Inder et al(2012) conducted a study on mutual fund performance with special focus to index fund on the basis of risk-return framework during the period of 2005 to 2011 by using standard deviation, beta alpha, R-Squared, Sharpe measure, Jensen Measure, Treynor measure and Sharpe differential return measure. ICICI Prudential index fund, Tata index fund, Franklin India index fund was performed better in case of growth option. In the case of dividend option, Franklin India has shown better performance. Franklin India mutual fund has been able to capture market very well both growth as well as dividend option.

Fozia Chowdhary (2012) evaluated the performance of public and private sector mutual funds in India. The study mainly focused on the growth and future aspects of mutual fund industry to ascertain the asset allocation, entry load and exit load of mutual funds by taking five public sector and private sector mutual funds. The research revealed that there is no significant difference between public and private sector mutual funds in respect of their performance and resource mobilization. Mutual fund industry in India is growing steadily, but only 3-7 percent households preferring mutual funds for their investment. The study suggested that Indian mutual fund industry has tremendous growth potential and it must be reached to rural people to improve the business. Diversification of funds and innovative schemes can attract new customers.

Joity Tomer (2012) examined the performance, regulations, problems, and prospects of Indian mutual fund industry. The study is very useful to fund managers and asset management companies to design appropriate strategies for their customers. Forty- six sample mutual fund schemes of open-ended funds are selected for evaluating the performance during 2005-2010. It includes twenty-three public sector schemes and twenty-three private sector schemes. The study resulted that open-ended schemes particularly income and debt schemes are most popular scheme among the investors. The corporate sector contributes the largest share of investor accounts into AUM industry. Cost increasing and lack of awareness are the important problems of mutual fund industry in India. Increasing the number of investor complaints, single lingual mechanism, herding behavior of investors also make problems to the mutual fund industry.

Nazia Ansari (2013) examined the performance of different category of schemes compared with different statistical tools and tried to find out the financial viability in terms of surely returns, reliability in terms of risk. The market performance had a significant positive influence on the scheme performance. The result stressed that mutual fund was more suitable for small investors who were otherwise hesitant about entering into the capital market.

Sheshrao Maruti et al (2013) in their paper evaluated the performance of selected private equity funds over a period of three years from 2009 to 2011 by applying beta, Sharpe and Treynor's ratio. Growing risk appetite, rising income and increasing awareness, mutual funds in India are becoming most preferred investment avenue among individual investors. Fund houses should take appropriate measures to make fair and truthful disclosure of information to the investors. And Indian mutual fund industry widens the range of innovative products to catch the semi-urban and rural people.

Shahadath Hossain et al (2013) conducted a study on dynamics of mutual fund in relation to the stock market during the period of 2008 to 2010 based on four variables of Dhaka stock exchange general index return, Dhaka stock exchange general index turnover, mutual fund return and mutual fund turnover. Dhaka stock exchange's general index return and mutual fund return are cointegrated. The study suggests that, if the investors had a positive attraction to the general shares and it also drives the demand for mutual funds. Any positive externality in the market price of other shares and subsequently it affects the underlying value of mutual funds.

Sathish Kumar (2014) studied the behavior of selected mutual fund return with benchmark return, the relationship between risk and return by taking twenty-eight sectoral growth schemes with the help of various performance measures like Sharpe's measure, Treynor's measure, Jensen measures, Fema measures, Omega ratio and Sortino ratio. Most of the scheme provided an adequate return to compensate the fund schemes found underperformed than benchmark index and schemes which did not provide an adequate return to compensate the risk involved in them. Fund managers failed to predict the future prices of mutual fund leads to poor performance. Most of the schemes exhibit poor market timing and selectivity abilities of fund managers. The fund manager should plan for efficient allocation of the fund during portfolio construction to provide good return with minimum risk.

Falguni.J.Pandit (2014) in this study, focused on the functional aspects of mutual fund sectors on the basis of NAV and return of various mutual fund

companies over the period of five years from 2008-09 to 2012-13. Indian mutual fund industry was growing industry but investors awareness level was very low. Asset Management Companies' efficiency largely affects the return aspect of investors. The study suggested that research consultant must provide training to investors for selecting schemes according to their investment objectives and risk level.

Jyoti.M.Thakkar (2014) conducted a comparative study of public and private sector mutual fund in Gujarat and investors opinion towards selected schemes in mutual funds. During the year 2006-2012, resource mobilization was highest in public sector and Gold ETF was the top category wise performer. Overall growth was high in the study period. The study suggested that mutual fund business must be extended to rural areas to make more investor base.

Jayakumar Rajendra Joshi (2014) evaluated the performance of mutual fund industry and also studied the risk-return preference of retail investors. The study revealed that mutual fund organization tries to explore suitable strategies and launch new schemes for acquiring and retaining customers. During the study period of 2010, 2011 and 2012, the performances of mutual fund schemes were good based on the risk-return profile. Asset management companies must concentrate on growth schemes.

Chandan Patel (2014) conducted a research work to identify the trend of Indian mutual fund industry and analyzed the growth of Indian mutual fund companies. The study found that during the ten years of the study period, the Indian mutual fund industry had shown a significant growth in terms of a number of players in private sector, the introduction of various numbers of schemes, mobilization of fund and growth in Asset Under Management. The dissemination of degree of knowledge, providing awareness to investors, training programs to operational staff is the important determinant of the success of any mutual fund. The study suggested that the fund managers must improve their skill in connection with internal activities as well as external market-related activities and thus it improve the confidence of investors.

Kirti Lalwani(2015) made a comparative study of the effectiveness of Systematic Investment Plan of private and public sector banks. The important objectives of the study were to explore the concept of SIP and to analyze the effectiveness of Systematic Investment Plan. The study also analyzed the return of various SIP schemes of HDFC bank and SBI bank. The researcher found that SBI SIP's are outperforming and HDFC SIP's are underperforming. Equity plans are generating more return than debt plans. The study suggested that private mutual fund should focus on all the factors to yield more return and also try to minimize expenses.

2.5. Studies on Investment Behavior Model

John E. Grable (1997) tested the efficacy of demographic variables like gender, age, marital status, occupation, self-employment, income, race, and education to the risk tolerance level of investors by using the Leimberg, Satinsky, Leclair, and Doyle(1993) financial management model was used. The study revealed that demographic variables had significant influence in determining the risk tolerance level. Age, Asian racial background, and marital status were not found to be significant in determining risk tolerance.

Nicholas Barberis et al (1998) developed a model on investor sentiments based on psychological evidence in both under reactions and overreactions. This paper looks at how investors form expectations of future earnings. News about fundamentals strongly affects the stock price. People gave too much attention to the strength of the evidence presented and little attention to its statistical weight.

Kent Daniel et al (1998) conducted a study to understand investor's psychology in under and overreactions in security market based on psychological biases of investor's overconfidence about the precision of private information and biased self-attribution. Overconfidence had a negative relationship with excess volatility and managerial actions were correlated with stocks mispricing.

Kent Baker and John R.Nofsinger (2002) examined the psychological influences in investor decision making and also the common investment mistakes

done by an investor. The study revealed that investor's common mistakes were caused by his cognitive and emotional weakness. The social influences like Medias, friends, relatives, and peers also affect the investment decision. The study suggested some measures to overcome psychological biases. The suggestions were understood and avoid biases, identify investment objectives and constraints, develop quantitative investment criteria, diversify investment and reallocate assets.

Mary Jane Lenard et al (2003) developed an model on investors risk profile variable and focused on the switching behavior of investors. The study resulted that before switching the fund, the investor must consider the investment risk, fund performance, investment mix and capital base of the fund. In the case of nonemployer plans, current asset allocation, investment mix, the age of investor, initial fund performance, the large capital base of the fund family and risk tolerance level affected the switching behavior of investors within their fund family. In the case of an employer and nonemployer plans, current asset allocation, investment losses, investment mix, portfolio diversification, the performance of the fund, fund charges, capital base, and risk tolerance affected the switching behavior within the fund family.

Gongmeng Chen et al (2007) evaluated the trading performance, overconfidence, disposition effect, representativeness bias and experience of emerging market investors. The study found that Chinese investors make pure trading decisions. The important biases of Chinese investors were overconfidence, representative bias and acknowledging gain but not losses. Chinese individual investors exhibit multiple psychological biases.

Nicolas Schmdit (2010) conducted a study to determine the factors influencing the decision to participate in the capital market by applying the theory of Planned Behavior. Social pressure, attitude and perceived behavioral control had a positive influence on the willingness and intention to invest in mutual funds. The study suggested that mutual fund purchasing is crucial for growth and success of the industry and make a positive attitude and perception towards mutual funds within a target group. Interaction with the potential target group, sharing a positive attitude

with a peer group, friends and family had a positive effect on the purchasing behavior of mutual funds.

Vaibhav Jain (2012) discussed various behavioral models like over and under reaction, mental compartments, overconfidence, disjunction effect limits to arbitrage, prospect and expected utility theories. The study witnessed how security prices incorporate the information available in three forms of weak, semi-strong, strong and the effect of the foundation of market efficiency on the satisfaction of the conditions of rationality, independent deviation from rationality and arbitrage.

Shun-Yao Tseng (2012) studied how information search aspect affects the individual investment preferences like stock/options investment and mutual fund investment. Heuristics had a positive effect on mutual fund investment preferences. Information search affects the investment preferences. The study resulted that valuable information from advisors had a strong influence in the purchase of stocks/options among high-income investors. The study suggested that government must promote policies dealing with the ethical behavior of firms and brokers.

Mohd IM Alnajjar (2013) investigated the irrational attitude of investor while investing in the capital market and developed the psychological decision-making model. The study revealed that most cases, investor behaves irrationally. The study discovers the impact of various factors like types of information, information asymmetry, risk propensity towards risk perception and how risk perception affects the satisfaction level, return expectations, reinvestment intention, and investment performance.

Tabassum Jamil (2013) studied the impact of the recession on the performance of various categories of mutual funds in India and also the behavior of investors under the impact of the recession. Twelve mutual fund categories namely, large-cap equity funds, equity diversified funds, small and mid-cap equity funds, equity-linked saving scheme, index funds, hybrid-balanced funds, hybrid-monthly income plan-aggressive, hybrid monthly income plan-conservatives, debt long-term income funds, debt short-term income funds, debt liquid funds and debt- ultra short term, term debt funds were taken for the study. Price-earnings ratio, dividend yield,

portfolio beta, Sharpe ratio, Standard deviation, Treynor ratio, Jensen's alpha, Sortino ratio etc were used for evaluating the performance of mutual funds. The study found that majority of the funds was negatively affected during the period of recession. Conservative funds much not affected by the recession and Systematic Investment Plan/Monthly Income Plan did not lose much in a recession. The investor's believed that SIP and Monthly income plans were more suitable to them in the period of recession and shows a downward trend in investing in mutual funds. The study suggested that the introduction of arbitrage funds can reduce the effect of the recession and it provides more hedging opportunities to the investors.

Chitra (2015), in her article, proved that the relationship of behavioral factors like illusion, regretful, reluctance, belief, self-reliance, risk aversion, rational choice and constructive to technical, fundamental and market psychology. The result evidenced that belief and rational choice had a relationship with technical analysis, self-reliance and risk aversion had a relationship with fundamental analysis. Self-reliance had a significant relationship with market psychology.

2.6. Conclusion

The available literature shows that no study has been conducted in the area of current research work. Extensive research has been found in the performance and growth of mutual fund industry in the finance literature. The studies related to mutual fund confined to the performance of various schemes, the performance of public and private sector mutual fund, stock selection and market timing ability of fund manager etc. A few studies have been conducted on the investor's behavioral aspects and investor's attitude towards mutual funds in the Indian context. The study mainly focused on the perception and attitude of investors using systematic investment plan by incorporating the fund selection behavior, specific attitude and satisfaction of investors towards mutual funds. The Study also incorporated the marketing aspects of mutual funds. In this context, the researcher has made a humble attempt to fill the gap. No major studies are reported on these aspects by combining mutual funds with SIP.

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Chapter **3**

**MUTUAL FUND INDUSTRY IN INDIA –
AN OVERVIEW**

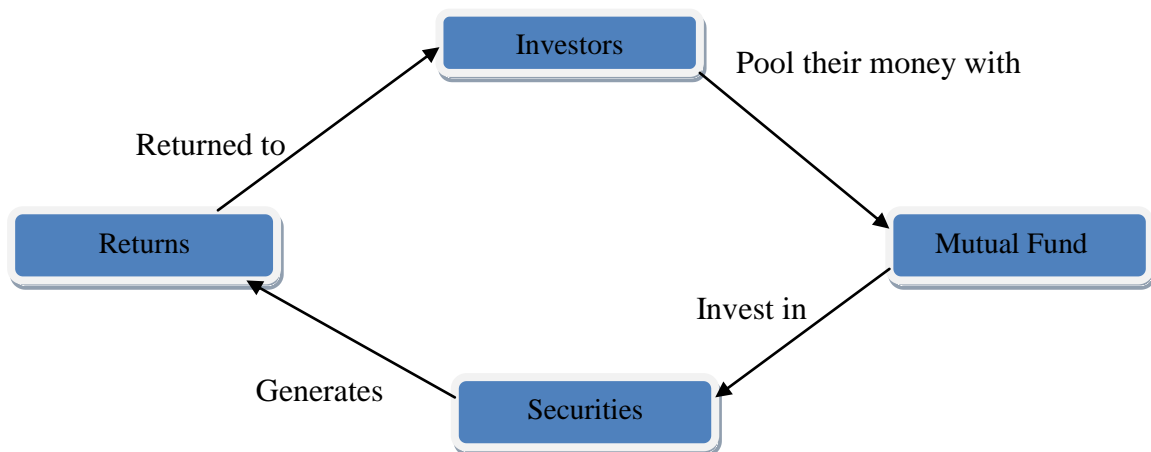
3.1. Introduction

Economic growth and development of any country depend upon a well developed financial system. The financial system in India is undergoing tremendous growth under the impact of liberalization, privatization and globalization, reforms of the public sector, financial sector and new industrial policy. Indian economy has been opened up and many developments have been taking place in the financial market with the help of financial intermediaries, financial instruments, and financial services. Financial system plays a significant role in the economic development of a country by mobilizing surplus savings and utilizing them for productive purpose. Financial intermediaries play a crucial role in the capital formation of the country. Mutual funds are also played an immense role in the capital formation of the country.

A mutual fund is a special type of financial institution which acts as an investment intermediary and channelizes the savings of a large number of people to corporate securities. Mutual fund provides various benefits to the investors like diversification, professional management, investor protection and easy way of investing etc. Small investors who are unable to participate in the capital market, with the help of mutual fund they can reap the benefit of the financial market. Mutual fund organization got immense popularity due to their utilization of their resources in such a manner to satisfy their needs of the investor by combining the benefits of steady return, low risk, and liquidity.

Mutual fund organizations are restructuring their business model according to the needs of customers. It will lead to the improved efficiency and customer satisfaction. Mutual funds are looked as a transparent and low-cost investment vehicle in the volatile market environment and which satisfies the need of customers as well as support the growth of the industry. Investor confidence was significantly eroded due to the regulatory framework and investor protection measures of Securities Exchange Board of India.

Figure 3.1
Mutual Fund Mechanism



Mutual fund - Meaning and Definition

Mutual fund is an American concept and the terms, 'Investment trust', 'Investment Company', 'Mutual fund', 'Money fund' etc are used interchangeably in American literature. A mutual fund is an investment vehicle for investors who pool their savings in a diversified portfolio of securities with the aim of attractive yield and appreciation in their value. Investment company institute, USA defines "mutual fund as a type of Investment Company that gathers assets from investors and collectively invests those assets in stock, bonds, or money market instruments".

According to Securities Exchange Board of India (Mutual Funds) Regulations, 1996 define 'mutual funds' as " a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments". In sum, a mutual fund is a form of collective investment brought in by a large group of investors for the mutual benefit of savers as well as investors.

3.2. Evolution and Growth of Mutual Funds in India

The mutual fund industry in India started in 1963 with the establishment of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of

India. The history of mutual funds in India can be broadly split up into four distinct phases.

Phase I: 1964-1987

The story of the mutual fund industry in India began in 1963. Unit Trust of India (UTI) was established up by the Reserve Bank of India. The Industrial Development Bank of India (IDBI) took over UTI in 1978. UTI launched its first scheme in 1964. Later in the 1970s and 80s, UTI started innovating and offering different schemes to suit the needs of different classes of investors. Unit Linked Insurance Plan (ULIP) was launched in the year 1971. UTI introduced several new schemes like Children's Gift Growth Fund (1986) and master share (1987). The first Indian offshore fund, India Fund was launched in August 1986. At the end of 1988, UTI had Rs. 6,700 crores of assets under management.

Phase II: 1987-1993

UTI enjoyed the monopoly position till 1987 when Banking regulation act was amended to permit commercial banks to launch mutual funds in the country. SBI Mutual Fund was the first non-UTI Mutual Fund established in June 1987 succeeded by Can bank Mutual Fund scheme (launched in December 1987), LIC Mutual fund (launched in June 1989) and Indian bank mutual fund scheme (launched in January 1990). LIC was set up with a view to extending the accessibility of investment media in the semi-urban and rural areas. GIC entered into the mutual fund business in December 1990. From 1987-88 to 1992-93, the AUM increased from Rs 6,700 crores to Rs 47,004 crores, nearly seven times. During this period, investors showed a marked interest in mutual funds, allocating a larger part of their savings to investments in the funds.

Phase III: 1993-2003

A new era started in the Indian mutual fund industry with the entry of private sector. To enhance the degree of competitiveness and improve the investor related service, Dave committee recommended that private sector should also be permitted to sponsor mutual fund through asset management companies. Also, 1993 was the

year in which the first Mutual Fund Regulations came into existence, under which all mutual funds, except UTI, were to be registered and governed. SEBI revised the Mutual Funds Regulations and issued the revised SEBI (Mutual Funds) regulations in 1996. During this period, Investor Awareness Programme was launched by SEBI and Association of mutual funds (AMFI) with the aim of educating the investors about investing through MFs. As the industry expanded, a non-profit organization, the Association of Mutual Funds in India (AMFI), was established in 1995 with a view to promoting healthy marketing practices among mutual funds operating in India.

Phase IV: 2003 Onwards

A significant development took place in February 2003, When UTI was bifurcated into UTI-I and UTI-II. UTI-I is the Specified Undertaking of the Unit Trust of India with assets under management of Rs. 44,541 crores as at the end of January 2003, representing broadly, the assets of US 64 schemes, 25 assured return schemes, and certain other schemes. The Specified Undertaking of Unit Trust of India is managed by an administrator and governed by Government of India and does not come under the purview of the Mutual Fund Regulations. The second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC each having 25 percent stake. It is registered with SEBI and coming under the preview of mutual fund regulations.

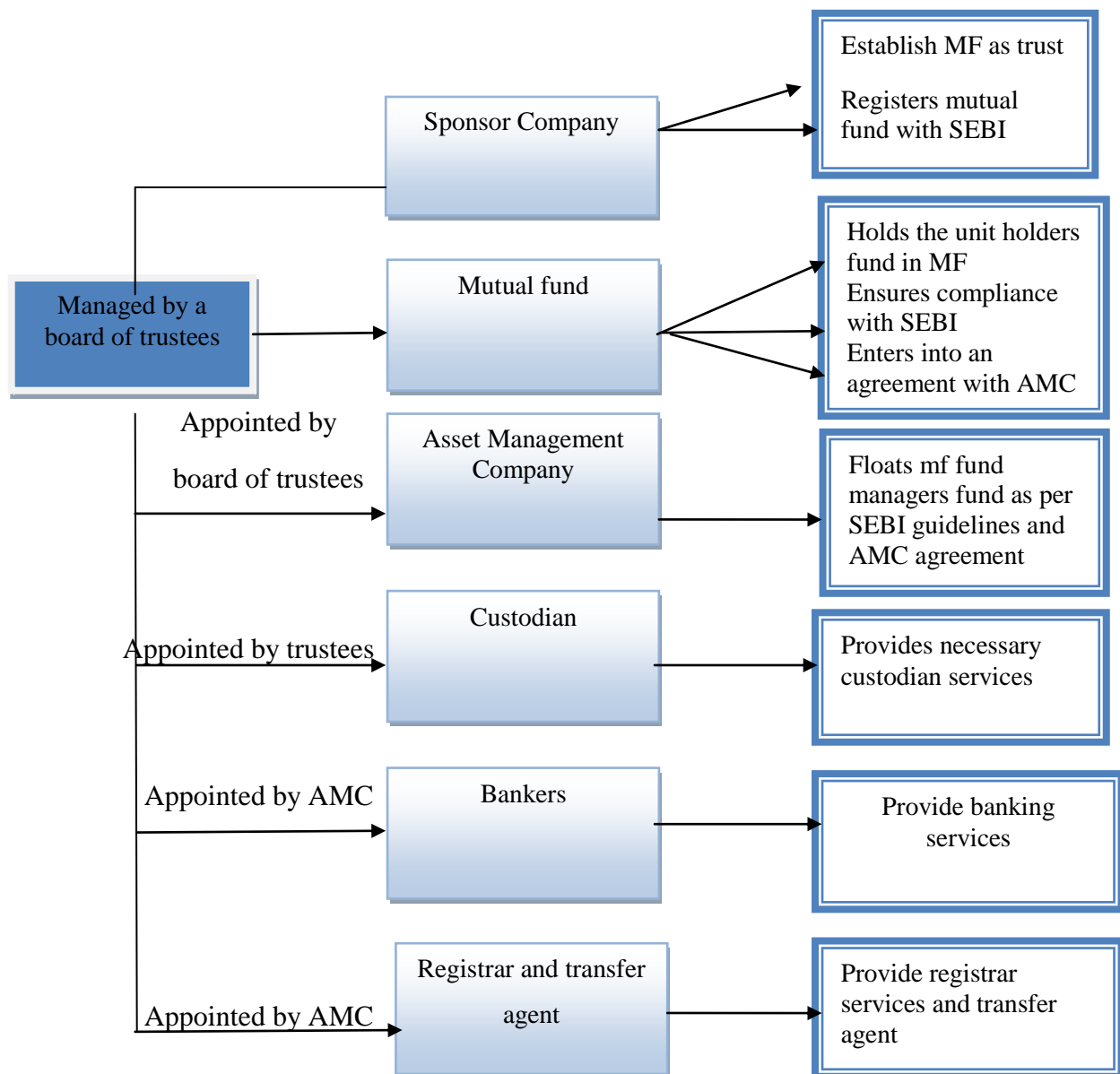
During 2015-16, the regulatory reforms undertaken by SEBI include the introduction of mandatory stress testing of Liquid Fund and Money Market Mutual Fund (MMMF) schemes, modification of product labeling in mutual funds, relaxation of restrictions on managing/advising of offshore pooled funds by domestic fund managers, tightening of exposure limits on investments by mutual funds, and enhancement of scheme related disclosures.

3.3. Organizational Structure of Mutual Funds in India

The SEBI, regulatory body of the mutual funds in India has laid down a unique organizational structure with a view to imparting operational transparency and protecting the investor's interest. The formation and operation of mutual funds

in India are guided by the SEBI regulations (Mutual Funds) Regulations, 1996. The structure of a mutual fund is decided by SEBI regulations. A mutual fund operates through a four-tier structure. The constituents of the Indian mutual funds are Sponsor, Trustees, Asset Management Company, Custodian, and Registrars or Transfer agents. Figure 3.2 gives us an idea about the structure Indian mutual funds.

Figure 3.2
Organizational Structure of Indian Mutual Funds



Source: Sadhak, H. (2007). Mutual Funds in India-Marketing Strategies and Investment Practices., New Delhi: Response Books.

Sponsor

The fund sponsor is one who establishes the trust and contributing to its initial capital and appoints the trustee to hold the assets of the trust for the benefit of unitholders. And the sponsor is expected to contribute at least 40% to the net worth of the AMC. SEBI laid down certain guidelines for the sponsors with a minimum track record of five years in the relevant field.

Board of Trustees

A mutual fund house must have an independent Board of Trustees and two-thirds of the trustees are independent persons who are not associated with the sponsor in any manner. The board of trustees should have at least two outside trustees. The overall superintendence, direction, control, and management vested in the board of trustees. The important responsibilities of the trustees are to safeguard the interest of unitholders. The trustees appointed by Asset Management Companies.

The Asset Management Company

The asset company formed and registered under the companies' act 1956. Asset Management Companies are the fund managers they invest investor's money in various securities after analyzing their performance and conducting research. The minimum net worth of such an Asset Management Companies is stipulated to be Rs. Five crores.

Custodian

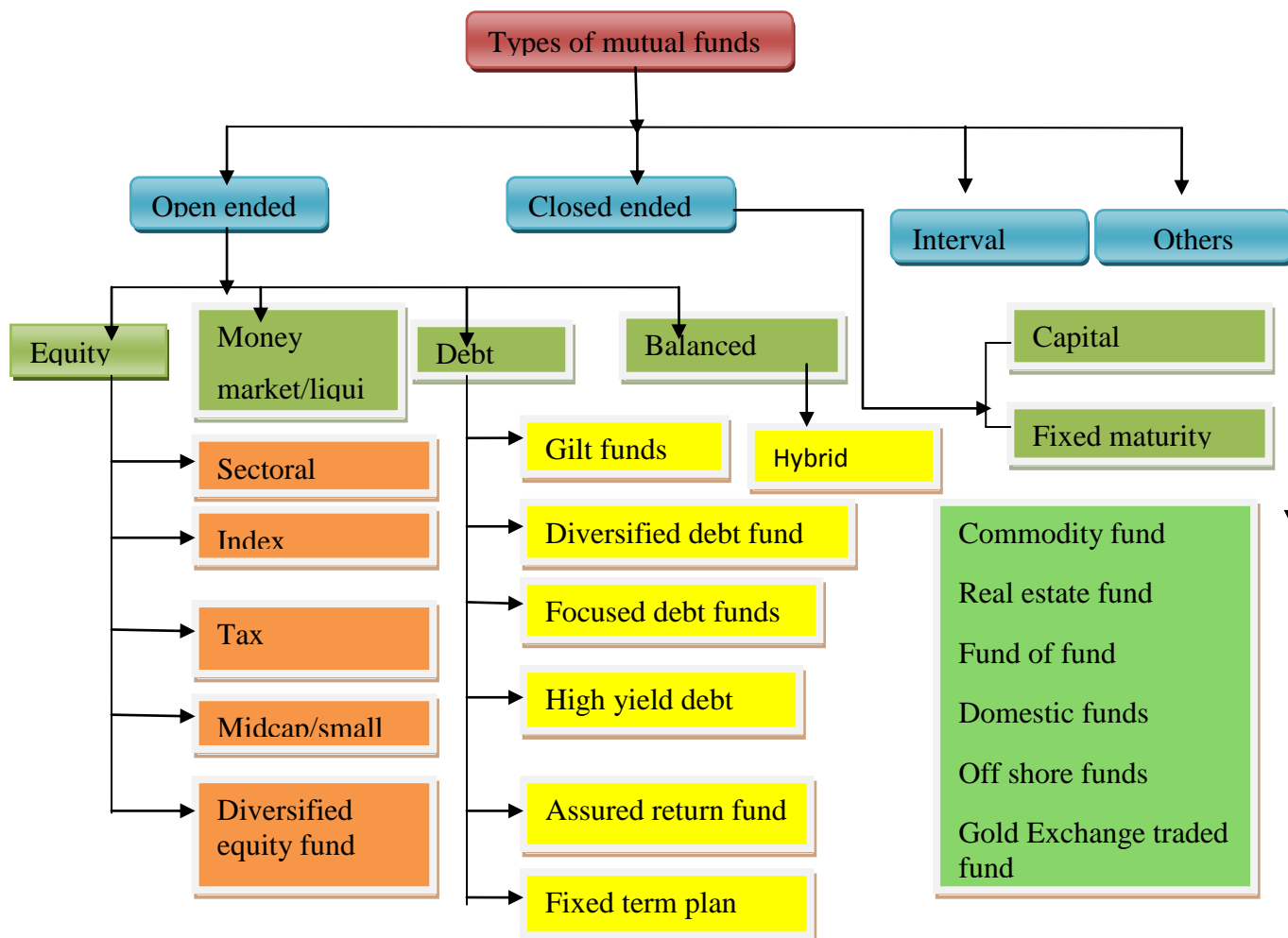
A custodian is an entity independent of the sponsors and is required to be registered with SEBI. The custodian is appointed by the board of trustees for safekeeping of physical securities or participating in any clearing system through approved depository participant on behalf of the mutual fund.

3.4. Mutual Funds Schemes

A mutual fund offers various schemes to cater the varying needs of investors across the country. Mutual fund schemes are designed to attract investors based on

their investment objectives, time horizon, risk profile and nature of the investment. The mutual fund can be classified into different heads.

Figure 3.3
Types of Mutual Fund Schemes



Open-ended Funds

As per SEBI Regulations, 1996, open-ended scheme means a scheme of mutual fund which offers units for sale without specifying any duration for redemption. It is always open to investors. At any time investors can buy and sell the units of mutual funds at periodically announced rates. The sale and repurchases prices are based upon the rate of Net Asset Value. The important feature of open-

ended mutual fund scheme is liquidity. The unit scheme 1964 of UTI, ULIP, Dhanarakshaa, Dhanvirdhi of LIC Mutual fund, CanClgr, and Franklin Blue chips are examples of open-ended mutual funds.

Closed-ended Funds

Mutual funds are open for subscription only at once and it can be redeemed only after a fixed maturity period. Any transactions in these units are taken place in the secondary market. The market prices of close-ended schemes are determined by the forces of demand and supply and hence could be different from net asset value. One of the characteristics of the close-ended schemes is that they are generally traded at a discount to Net Asset Value. Dhanashree and dhanasamardhi of LIC mutual fund, Can share of Canara bank, Ind Jyoti and Swarna Jyoti of Indian bank are the some of the examples of closed-ended schemes.

Interval Funds

Interval scheme combined the feature of both open-ended and closed-ended. An interval scheme is a scheme of mutual fund which is kept open for specific interval and after that, it operates as a closed-ended scheme. These schemes are traded on stock exchanges at NAV related prices. Fixed Maturity plans are the examples of interval schemes.

Broad Mutual Fund Classification

The following are the broad classification of mutual funds

Equity Funds

Under this scheme, the funds are primarily invested in equity shares and stocks of public listed companies only. The investment may vary from blue chip companies to newly started companies. Return and risk aspects of equity schemes are high compared to other schemes because the share prices are volatile. Equity fund is also known as stock funds. The size of equity fund is determined by market capitalization. These funds try to reduce the risk by diversifying the investments in different types of shares. Equity mutual funds are less risky in long term and it is

advisable for investors to invest in equity funds according to their risk appetite. Equity funds can be further classified into the sectoral fund, index fund, tax saver/ELSS, Midcap/small cap and diversified equity fund.

- Sectoral Fund

Sector fund schemes are those schemes under which the funds are invested in a particular industry or sector like Information Technology, Fast Moving Consumer Goods, Pharma etc. The degree of diversification of risk is very limited in the case of the sectoral fund but the potential risk can be high if the sector does very well. Franklin Infotech, Kotak Tech, UTI Pharma etc are the examples of the sectoral fund.

- Index Fund

Index funds are growth funds that follow a passive investment strategy. Their assets are invested in a stock exchange index either in all the stocks comprising the index or in selected stocks of the index. The funds are allocated on the basis of the proportionate weight of different shares in the underlying index. The performance of the fund is directly related to the performance of the index. Nifty index scheme of UTI mutual fund, Magnum index of SBI mutual fund and index Adv BSE- Sensex of UTI mutual funds are some examples of an index fund.

- Tax Saving Funds

Tax planning schemes in India are popularly known as Equity Linked Saving Scheme (ELSS) because they are formulated under ELSS 92, a notification of the ministry of finance. It was entitled to tax benefits under section 88 of the Income Tax Act. Investors in ELSS are also eligible for long-term capital gain tax benefits accruing from long-term investment. There is a three year lock-in period, after which it can be sold back to the mutual fund or, on the listing of the scheme, units can be sold on the stock exchanges Birla tax plan 98, FT tax shield 99, SBI Magnum ELSS 96 and Sundaram tax saver 98 are some examples of these funds.

- Mid-cap/Small cap Fund

Mutual funds are described in terms of market capitalization that is a small cap, mid cap or large cap. The market capitalization of Mid-Cap companies is less than that of big, blue-chip companies (less than Rs 2500 crores but more than Rs 500 crores) and Small-Cap companies have a market capitalization of less than Rs 500 crores. The market capitalization of the company can be calculated by multiplying the stock price by the company's outstanding number of equity shares. UTI Large cap fund, UTI Small cap fund, HDFC Premier Multicap fund etc are the schemes based on market capitalization.

- Diversified Equity Fund

Diversified Equity fund have investment portfolios spread across industries and companies. These funds diversify the investment across the stock market with an aim to maximize gain for investors. Can equity diversified fund of Canara Bank, HDFC Top 200 fund etc are the examples of diversified equity fund.

Money Market Mutual Fund

Money Market Mutual Fund, otherwise known as liquid funds, is an open-ended mutual funds that trade only in short-term debt instruments. They mobilize savings from small investors and invest in short-term debt instruments, like treasury bills, commercial papers, CDs, banker's acceptance short-term loans. These funds are very liquid and risk-free because of the nature of investments. MMMF provide a better return than short-term bank deposits and are often considered to be a good alternative to bank deposit. The Reserve Bank of India has announced guidelines for money market mutual funds in April 1992. Pru ICICI liquid funds, Birla Cash plus Templeton India Liquid funds are some examples of the money market mutual fund.

Debt Funds

In the case of debt funds, the collected funds are invested in debt securities. Debt funds are predominantly invest in Debentures, Bonds, Fixed Deposits, Sovereign Papers, and Money Market instruments etc. Debt schemes are generally

income schemes. Debt schemes are ideal options for investors if they are risk-averse. Debt funds may invest in the short term or long term bonds. Debt funds provide a steady return but rate of return is comparatively low to equity funds. Debt funds further classified into gilt fund, diversified debt fund, focused debt funds, high yield debt fund, Assured return fund and Fixed Term Plan

- Gilt Fund

The funds of these schemes are invested exclusively in government securities. These funds are low return and low risk and popular among risk-averse investors. These funds may have different maturity profile. Some of them have long term, medium term, and short term. Some of the gilt funds operating in India are Gilt Plus of Birla Sun Life Mutual fund, FT Gilt of Franklin Templeton Mutual fund, Gilt long-term of HDFC Mutual fund etc.

Diversified Debt Fund

These funds invested in the wide array of securities belonging to all sectors and industries of the market. It diversifies the risk by investing the funds in various sectors. Any loss happened, on account of default by a debt issuer, is shared by all investors which further reduces the risk for an individual investor.

- Focused Debt Funds

Under this scheme of a mutual fund, the investment fund made in a limited number of stocks and focus only on few sectors rather than diversifying into various stocks and sectors.

- High Yield Debt Fund

High yield debt funds are high paying funds with lower investment grades. High Yield debt funds invest in instruments with high yield, consistent with risk tolerance. These funds are high-risk investments, and for this reason, they have the potential for higher returns than other types of bonds or bond funds. It is popularly known as junk bonds. These funds tend to be more volatile than other debt funds, although they may earn higher returns as a result of the higher risks taken.

- Assured Return Fund

In India, UTI and other funds had offered “assured return” schemes to investors. The most accepted variant of such schemes was the Monthly Income Plans (MIP) of UTI. Some investors look for these invests option which guarantees assured return irrespective of the performance of the scheme. These funds have lock-in period and it offers assured return during the period. In assured return schemes, the loss, if any, is borne by the sponsor or Asset Management Company. To protect the interests of investors, SEBI permits only those funds to offer assured return schemes whose sponsors have an adequate net worth to guarantee returns in the future.

- Fixed Term Plan

Fixed Maturity Plan is a closed-ended debt mutual fund scheme having maturity period of less than one year that offer a series of plans and issue units to investors at regular intervals. Fixed Term Plan is essentially close-ended in nature, in that case, the AMC issues a fixed number of units for each series only once and closes the issue after an initial offering period, like a close-ended scheme.

Balanced Funds

Balanced funds combine bonds and or preferred stocks with ownership of common stock, usually at some predetermined percentage relationship. Several balanced funds keep one half of the portfolio in common stocks and one half in bonds and preferred stocks. The main objectives of a balanced fund are to earn an adequate return in the form of interest and dividends from the fixed portion of the portfolio, while at the same gaining a modest growth in the common stock portion.

- Hybrid Funds

Hybrid schemes invest in a mix of equity and debt instruments. Hybrid funds do not specialize in a particular security. These funds are designed to meet individual objectives, for example, rapid growth, matching a market index, or investing in any area of the economy. Hybrid funds thus use a combination of securities to achieve their pre-determined goals.

Other Mutual Funds

○ Commodity Funds

Commodity funds are focused on investing in different commodities like metals, food grains, crude oil, livestock etc. These funds also invest in commodity future and options. Commodity prices are affected by the performance of the economy or the forces of demand and supply. Reliance gold savings fund, HDFC Gold fund, SBI Gold fund etc are some examples of commodity funds.

○ Real Estate Fund

A real estate fund is a special type of mutual fund under which investments are made in the securities offered by public real estate companies. The majority of real estate funds are invested in commercial and corporate properties. The objective of these funds may be to generate regular income or capital appreciation. According to the market regulator, SEBI has defined REMF as a scheme of mutual funds which has investment objective to invest directly or indirectly in the real estate property.

○ Fund of Funds

Some mutual funds invest the money in other close or open-ended funds. The investment risks of these funds are very low as they get spread at two points. But then such funds also involve a double charge. Such funds invest in other mutual funds which are performing well. These schemes are beneficial to those investors who do not have the time or the expertise to track the market and to manage the portfolio in different mutual funds. Fund of fund otherwise known as a multi-manager investment diminishes the risk of investors by making diversification.

○ Domestic Funds

Domestic funds are open for mobilizing savings of the nationals within the country where investments are made. Most of the funds launched in India are domestic funds.

- Off-Shore Funds

Off-Shore mutual funds are those funds which are to be subscribed abroad. These funds are a cross-border investment which facilitates the capital movement of the investible surplus of a country to high growth or potentially high growth economies of the world. Kotak Global India fund, SBI's Magnum global and Global opportunity funds are the few examples of offshore funds.

- Gold Exchange Traded Fund

Exchange traded funds (ETFs) refers to a basket of securities that are tradable on the stock exchange. ETFs have characteristics of open-ended mutual funds as well as that of listed shares. ETFs do not sell their units directly to the investors. Otherwise, a security firm creates an ETF by depositing a portfolio of shares in line with an index selected. The security firm creates units against this portfolio of shares. These units are sold to retail investors.

3.5. Options Available Under Mutual Fund Schemes

Due to the cutthroat completion, the mutual fund offers various schemes to cater the varied needs of investors.

- Dividend Option
- Dividend Re-Investment Option
- Growth Option
- Systematic Investment Plan
- Systematic Withdrawal Plan
- Systematic Transfer Plan

- Dividend Option

Under this option, the investors get a payout at the regular intervals in the form of a dividend. The option is most suitable for short-term investments. The important benefit of the option is to provide moderate capital appreciation along with dividend over the period of holding. Dividend distribution depends upon funds

policy; it may be daily, weekly, monthly, quarterly, half yearly or annual dividend distribution.

➤ **Dividend Re-Investment Option**

Dividend re-investment option means the investors do not receive dividend declared in the form of cash; instead, the investor's dividends are reinvesting for buying additional units.

➤ **Growth Option**

This type of investing is most suitable for long-term investing in equity mutual fund. Growth option does not yield any short-term return but may be paid out by the stocks in the mutual fund. The growth option gives long-term capital appreciation to the investor which can be realized at any time the investor chooses.

3.6. Systematic Investment Plan

A Systematic Investment Plan (SIP) is one in which an investor invests in a mutual fund scheme, a pre-specified amount, say Rs 1,000, at pre-specified intervals, say one month. So in SIP, the investor can invest the smaller amount in different installments rather than a lump sum investments. The amount is invested in the units of a mutual fund at the prevailing NAV. A number of units which the investor will get every month depending upon the prevailing NAV of the scheme. SIP worked on the principle of rupee cost averaging.

Systematic investment plans are one of the investment strategies in a mutual fund, in which the investments are done by paying a fixed amount at every predetermined date. Systematic Investing in a Mutual Fund is the answer to preventing the drawbacks of equity investment and still enjoying the high returns. Mutual Fund SIP is a monthly based investment plan through which an investor could invest a fixed sum into mutual funds every month at pre-decided dates. This hedges the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions. SIP is a feature

specially designed for investors who wish to invest small amounts on a regular basis to build wealth over a long term.

Systematic Investment Plan is an investment option available to low earning investors to accumulate wealth by making regular investments over a period of time in a systematic manner. SIP available almost all kind of mutual fund schemes. It is more effective in equity schemes than debt schemes. SIP is suitable for an investor who wants to tap the long-term potential of equities and is willing to invest regularly. It is a simple strategy designed to help investors to accumulate wealth in a disciplined manner over the long term.

It provides the following benefits to the investors.

a. Convenience

The process of investing in SIP is very easy. It can be operated by just providing post-dated cheques with the completed Electronic Clearing system (ECS) instructions. The SIP facility is generally available in most of the mutual fund schemes. By adopting a SIP scheme, an investor can avoid the trouble of making an investment every now and then.

b. Portfolio Diversification

A large number of investors have small savings with them. They can buy most shares of one or two companies. When small savings are pooled and entrusted to mutual funds, then these can be used to buy shares of many different companies. By using SIP, the investors can participate in a large basket of shares of different companies. This diversification of investment ensures regular returns and capital appreciation at reduced risks as all the eggs are not put in the one basket.

c. Professional Management

The next importance of SIP is that with the help of it the investor avails the services of experienced and skilled professionals who are backed by a dedicated investment research team. A small investor cannot be an expert in portfolio management. The mutual fund provides the benefit of expert supervision and

management. The mutual fund managers have extensive research facilities at their disposal. They can analyze the performance and prospects of various companies and take better decisions in making investments.

d. Reduction of Risks

As mutual funds invest in a large number of companies and are managed professionally, the risk factor of the investor is reduced. An investor holds a diversified portfolio when he makes some investment in mutual funds. In adverse case of losses, the loss is shared by all the unitholders of the fund. Thus, the risk is reduced as compared to a direct market wherein adverse cases all the money is lost.

e. Advantage of Compounding of Money

An investor has two options to invest. First, to invest regularly as and when surplus funds are available and second, to accumulate these smaller savings and to invest at the yearly interval. These regular amounts of savings, (no matter however small) may go for a long way in creating a considerable amount of wealth over a long-term and help in achieving our ultimate goal of accumulating wealth through the compounding interest rate or return. To understand the benefit of compounding money, an illustration explained below.

Table 3.1

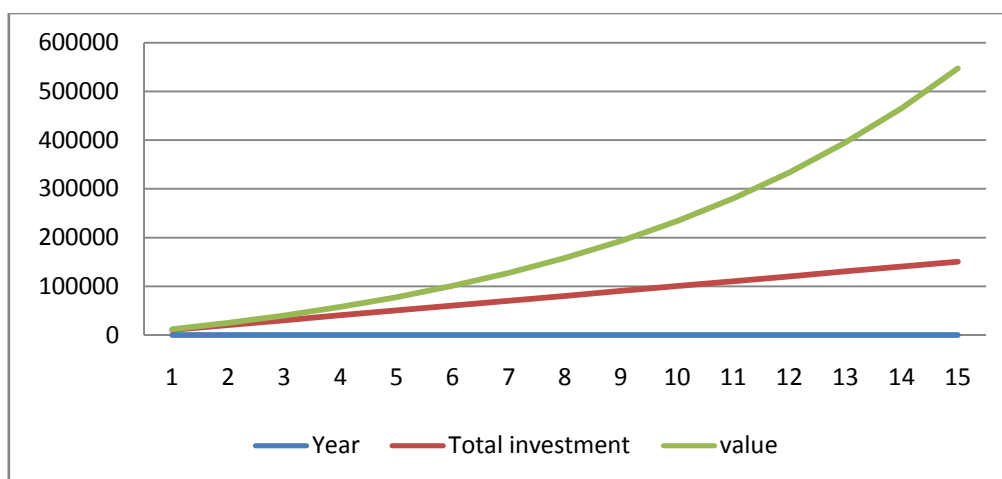
Power of Compounding -An Illustration

Year	Investment	Total investment	Accumulation	Interest %	Interest	value
1	10000	10000	10000	15%	1500	11500
2	10000	20000	21500	15%	3225	24725
3	10000	30000	34725	15%	5209	39934
4	10000	40000	49934	15%	7490	57424
5	10000	50000	67424	15%	10114	77538
6	10000	60000	87538	15%	13131	100669
7	10000	70000	110669	15%	16600	127269
8	10000	80000	137269	15%	20590	157859

Year	Investment	Total investment	Accumulation	Interest %	Interest	value
9	10000	90000	167859	15%	25179	193038
10	10000	100000	203038	15%	30456	233494
11	10000	110000	243494	15%	36524	280018
12	10000	120000	290018	15%	43503	333521
13	10000	130000	343521	15%	51528	395049
14	10000	140000	405049	15%	60757	465806
15	10000	150000	475806	15%	71371	547174

Figure 3.4

Power of Compounding-Example



f. Rupee Cost Averaging

Under systematic investment plan, an investor invests a fixed amount irrespective of Net Asset Value. So the investor gets fewer units when NAV is higher. It can smoothen out the market's ups and down and reduce the risk of investment when markets are more volatile. SIP helps to reduce the average cost per unit and helps an investor to take the advantage of market fluctuations and thereby reduces the risk. An example quoted below to understand about rupee cost averaging.

Table 3.2

Rupee Cost Averaging –the Disciplined Way of Investing

Month	Investment	NAV	No of units
1	1000	10	100
2	1000	10	100
3	1000	13	76.92
4	1000	11	90.90
5	1000	10	100
6	1000	9	111.11
Total	6000	63	578.93

The average NAV= $63/6=10.5$

Average price=Total investments/Total no of units

$$6000/578.93=10.36$$

Average unit cost under systematic investment plan is less than the unit cost of lump sum investment. Rupee cost averaging does not guarantee a profit, but it reduces the risks in the volatile market in the long-term approach.

Systematic Withdrawal Plan (SWP)

Systematic withdrawal plan is a facility offered by a mutual fund to its unitholders to withdraw money from the scheme on a regular basis. It is particularly suitable for those who need regular income. SWP may be available with 2 options:

- (a) Fixed withdrawal, where a fixed specified amount is withdrawn on monthly or quarterly basis
- (b) Appreciation withdrawal, where 90% of the appreciated amount can be withdrawn on monthly or quarterly basis

Systematic Transfer Plan (STP)

STP is a situation when an investor in the mutual fund scheme has instructed the mutual fund to transfer a specific amount from one scheme to another scheme.

Transfers are mainly two types

- (a) Transfer of a specific amount per month from one scheme to another. In this case, some units of the existing scheme are redeemed at the prevailing NAV. This will raise a specific amount which is then invested in the other notified scheme at the rate of NAV of the other scheme.
- (b) Transfer of gain in one scheme to another scheme. In this case, only the gain is shifted and invested in the other scheme. The initial amount invested in one scheme remains the same. However, if there is a decline in NAV, then the principal value may decline.

3.7. Recent Trends in Mutual Fund Industry

The emergence of competition following the free entry of private sector funds exposed several improvements in the Indian financial market. Mutual fund industry in India has grown significantly in last twenty years. There were in all registered mutual funds in India with a corpus of Rs 1754619 crores by the end of March 2017. The important developments are summarized below.

3.7.1 Growth of Asset under Management

The Indian mutual fund industry is undergoing a metamorphosis, which inadvertently marks a point of inflection for the market participants. The following table depicts the growth of AUM in India.

Table 3.3

Growth of Asset under Management

Year	AUM (in Crores)
2007	326292
2008	505152
2009	417300
2010	613979
2011	592250
2012	587217
2013	701443

Year	AUM (in Crores)
2014	825740
2015	1082757
2016	1232824
2017	1754619

Source: AMFI

The cumulative net assets of all mutual funds as on March 31, 2017, was ` 17,54,619 crore as against `12,32,824 crore on March 31, 2016, representing an increase of 42.3 percent. It is interesting to note from the table that the growth rate has been highly robust during the period from 2007 to 2016. Durig the year 2007, the asset under management was Rs 326292 crore as against Rs 1754619 crores in 2017.

Figure 3.5
Growth of Asset Under Management

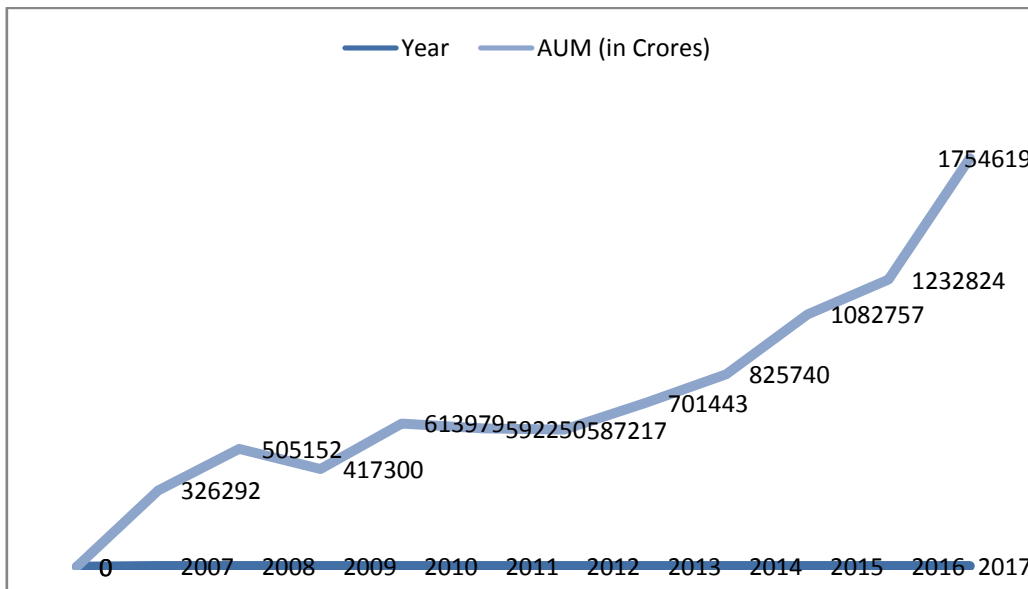


Figure 3.5 clearly shows the rapid and steady growth of AUM. The growth of Asset under management (AUM) can also be evaluated with the help of compound growth rate. The compound growth of Asset Under Management from 2007 to 2017 is 21 percent.

Table 3.4**Mutual Funds and Asset Under ManagementAs on 31st March 2017(Rs in Lakhs)**

Sl no	Mutual fund name	Average AUM
1	Axis Mutual Fund	5776465.3
2	Baroda Pioneer Mutual Fund	1032365.21
3	Birla Sun Life Mutual Fund	19533111.06
4	BNP Paribas Mutual Fund	589089.71
5	BOI AXA Mutual Fund	355233.5
6	Canara Robeco Mutual Fund	999620.08
7	DHFL Pramerica Mutual Fund	2611695.74
8	DSP BlackRock Mutual Fund	6519914.66
9	Edelweiss Mutual Fund	691754.97
10	Escorts Mutual Fund	24256.32
11	Franklin Templeton Mutual Fund	8253392.19
12	HDFC Mutual Fund	23746690.98
13	HSBC Mutual Fund	949317.11
14	ICICI Prudential Mutual Fund	24314391.36
15	IDBI Mutual Fund	776332.75
16	IDFC Mutual Fund	6087601.34
17	IIFCL Mutual Fund (IDF)	41236.92
18	IIFL Mutual Fund	56470.88
19	IL&FS Mutual Fund (IDF)	101978.78
20	Indiabulls Mutual Fund	1081973.78
21	Invesco Mutual Fund	2354412.39
22	JM Financial Mutual Fund	1366793.7
23	Kotak Mahindra Mutual Fund	9244020.52
24	L&T Mutual Fund	3929988.78
25	LIC Mutual Fund	2147529.64
26	Mahindra Mutual Fund	199515.94
27	Mirae Asset Mutual Fund	745666.77
28	Motilal Oswal Mutual Fund	811510.43
29	Peerless Mutual Fund	106186.57

Sl no	Mutual fund name	Average AUM
30	PPFAS Mutual Fund	69612.32
31	PRINCIPAL Mutual Fund	535443.95
32	Quantum Mutual Fund	99579.99
33	Reliance Mutual Fund	21173829.76
34	Sahara Mutual Fund	6726.89
35	SBI Mutual Fund	15748985.73
36	Shriram Mutual Fund	4055.82
37	SREI Mutual Fund (IDF)	0
38	Sundaram Mutual Fund	2936968.94
39	Tata Mutual Fund	4261916.24
40	Taurus Mutual Fund	187607.06
41	Union Mutual Fund	341622.95
42	UTI Mutual Fund	13681008.91

Source: AMFI

The table 3.7 shows that ICICI Mutual fund maintains its top position as the country's largest fund house with AUM of Rs 24314391.36 lakhs as on March-end, 2017. HDFC Mutual fund remained at the second slot with total wealth of Rs 23746690.98 lakhs and Reliance Mutual fund in the third position with AUM of Rs 21173829.76 Lakhs. Under public sector undertaking, the major share hold by UTI Mutual fund with AUM of Rs 13681008.91 lakhs as on 31st March 2017.

3.7.2.Resource Mobilization by Mutual Funds

In the financial market environment, asset management companies facilitate financial intermediation and portfolio diversification. Besides providing equilibrium, they help investors diversify their assets more easily and can provide financing to the real economy. The Indian mutual fund industry is one of the fastest growing and most competitive segments of the financial sector. In the last two decades, the mutual fund industry has shown rapid growth not just in the scale of assets under management (AUM) but also in terms of various schemes and products.

Table 3.5**Mobilization of Resources by Mutual Funds(in Crores)**

Period	Gross mobilization	Redemption	Net inflow	Asset at the end of the period
2002-2003	3,14,706	3,10,510	4,196	1,09,299
2003-2004	5,90,190	5,43,381	46,808	1,39,616
2004-2005	8,39,708	8,37,508	2,200	1, 49,600
2005-2006	10,98,149	10,45,370	52,779	2,31,862
2006-2007	19,38,493	18,44,508	93,985	3,26,292
2007-2008	44,64,376	43,10,575	1,53,802	5,05,152
2008-2009	54,26,353	54,54,650	-28,296	4,17,300
2009-2010	1,00,19,022	99,35,942	83,080	6,13,979
2010-2011	88,59,515	89,08,921	-49,406	5,92,250
2011-2012	68,19,678	68,41,702	-22,024	5,87,217
2012-2013	72,67,885	71,91,346	76,539	7,01,443
2013-2014	97,68,100	97,14,318	53,782	8,25,240
2014-2015	1,10,86,259	1,09,82,971	1,03,287	10,82,757
2015-2016	1,37,65,555	1,36,31,374	1,34,180	12,32,824
2016-2017	1,76,15,549	1,72,72,500	3,43,049	17,54,619

Source: SEBI annual report

Mutual fund plays an important role in mobilizing the small savings into productive investment. In 2016-17 mutual funds showed a positive growth in terms of resource mobilization. The gross mobilization of resources by all mutual funds during 2016-17 was at Rs 1,76,15,549 crore compared to Rs 1,37,65,555 crore during the previous year indicating an increase of 28 percent over the previous year. Similarly redemption also increased by 26.7 percentage to Rs 1,72,72,500 crore in 2016-2017 from Rs 1,36,31,374 in 2015-2016 .The net resources mobilized by all mutual funds in 2016-17 was Rs 3,43,049 and it showed an increase of 155.6 percent compared to the net inflow of Rs 1,34,180 crore during the previous year 2015-2016.The asset under management of mutual fund industry witnessed a constant growth in last fifteen years. The AUM of mutual funds in 2016-2017 was Rs 17, 54,619 and it showed a 42.3 percent hike compared to the asset under management of the year 2015-2016.

Table 3.6

Sector Wise Resource Mobilization by Mutual Funds during 2016-2017

	Private Sector MFs				Public Sector MFs			Grand Total
Open-ended	Close-ended	Interval	Total	Open-ended	Close-ended	Interval	Total	
Mobilization of Funds								
1,42,27,271 (1,10,92,349)	20,507 (33,134)	159 (793)	1,42,47,937 (1,11,26,277)	33,59,950 (26,29,048)	7,522 (9,998)	140 (232)	33,67,612 (26,39,279)	1,76,15,549 (1,37,65,555)
Repurchases / Redemption								
1,39,30,844 (1,09,95,460)	34,170 (37,390)	3,536 (2,033)	1,39,68,549 (1,10,34,883)	32,98,572 (25,91,330)	4,910 (5066)	469 (96)	33,03,951 (25,96,491)	1,72,72,500 (1,36,31,375)
Net Inflow / Outflow of Funds								
2,96,427 (96,889)	13,663 (4,256)	3,377 (1240)	2,79,388 (91,394)	61,378 (37,718)	2,612 (4,933)	329 (136)	63,661 (42,787)	3,43,049 (1,34,181)

Note: UTI figures are reported with public sector mutual funds.

Source: SEBI Annual Report 2016-17

Private sector mutual funds continued to retain their power in the mutual fund industry in 2016-17 as well, with a share of 80.8 percent in gross resource mobilization and 81.4 percent in net resource mobilization. The corresponding share of public sector funds including UTI was 19.1 percent and 18.5 percent respectively. In absolute terms, gross resource mobilization by the public sector mutual funds rose by 27.5 percent to Rs 33,67,612 crore in 2016-17 (Table 3.9) but in the case of private sector MFs, gross resource mobilization of mutual funds increased by 28.1 percent to Rs 1,42,47,937 crore in 2016-17. While the net resource mobilization raised alarmingly by more than 200 percent for private sector mutual funds to stand at Rs. 2,79,388 crore in 2016-17 compared to Rs. 91,394 crore in 2015-16. In 2016-17, public sector mutual funds contributed 18.6 percent to the net resource mobilization, including UTI mutual funds. Similar to the trends noticed in the past, in 2016-17 as well, close-ended and interval schemes of private sector mutual funds recorded net outflows, while open-ended schemes witnessed net inflows.

Table 3.7
Scheme-Wise Resource Mobilization and AUM by Mutual Funds as on 31st March 2017

Schemes	No. of Schemes	Gross Funds Mobilized (crore)	Repurchase/ Redemption (crore)	Net Inflow/ Outflow of Funds (crore)	AUM as on March 31, 2017 (crore)	Percentage Variation in AUM over March 31, 2016
A. Income/Debt oriented schemes						
(i)Liquid/money market	52	1,64,23,253	1,63,27,427	95,826	3,14,086	57.5
(ii)Gilt	41	12,007	15,313	-3,305	14,875	-8.8
(iii)Debt(other than assured return)	1,575	8,68,350	7,47,717	1,20,633	7,43,783	3.5
(iv)Infrastructure developments	7	0	0	0	1908	10.3
Subtotal (i-iv)	1,675	1,73,03,610	1,70,90,456	2,13,154	10,74,652	37.3
B. Growth/ Equity Oriented Schemes						
(i)ELSS	64	14,624	4,527	10,097	61,403	47.3
(ii)Others	420	2,04,926	1,44,656	60,270	4,82,138	39.9
Subtotal(i)+(ii)	484	2,19,550	1,49,183	70,367	5,43,541	40.7
C. Balanced Scheme						
Balanced Scheme	30	50,621	14,011	36,609	84,763	116.5
D. Exchange Traded Fund						
(i)Gold ETFs	12	86	862	-775	5,480	-13.6
(i)Other ETFs	51	41,335	17,282	24,054	44,436	176.6
Subtotal(i)+(ii)	63	41,421	18,143	23,278	49,915	122.8
E. Fund of Funds Investing Overseas						
Fund of Funds Investing Overseas	29	347	707	-360	1,747	-11.2
TOTAL (A+B+C+D+E)	2,281	1,76,15,549	1,72,72,500	3,43,049	17,54,619	42.3

Source: SEBI Annual Report 2016-17

Scheme-wise pattern reveals the domination of income/debt oriented schemes in total resource mobilization during 2016-17. In terms of AUM, the income/debt oriented schemes had the largest share of 61.2 percent, followed by growth/equity oriented schemes with a share of 31.0 percent. When compared to the previous year, the AUM of income/debt oriented schemes showed an increase of 37.3 percent while it raised by 40.7 percent for growth/equity oriented schemes. The AUM of exchange-traded funds (ETFs) in 2016- 17 increased noticeably by 122.8 percent, followed by an increase of 116.5 percent in balanced schemes and a 57.5 percent hike in liquid/money market schemes of income/debt oriented schemes. When compared to 2015-16, apart from the fund of funds investing overseas schemes, gilt funds and gold ETFs all other schemes reported an increase in AUM in 2016-17. The highest drop in AUM was registered by gold ETF schemes at 13.6 percent. As on March 31, 2017, there were 2,281 mutual fund schemes of which 1,675 were income/ debt oriented schemes, 484 were growth/equity oriented schemes, and 30 were balanced schemes. In addition, there were 63 ETFs, including 12 were gold ETFs and 51 were non-gold ETFs. In terms of the investment objectives, as on March 31, 2017, there were 1,388 close-ended schemes, 829 open-ended schemes, and 64 interval schemes.

Table 3.8

Asset Under Management and Number of Folios- As On December 31, 2016

Types of schemes	Investor classification	AUM (in crores)	% to Total	No of Folios	% to Total
Liquid/Money Market	Corporates	270599.6	86.15	34547	4.38
	Banks/FIs	11797.35	3.76	607	0.08
	FIs	53.03	0.02	20	0
	High Networth Individuals(HNIs)	25836.6	8.23	87428	11.08
	Retail	5799.3	1.85	666258	84.46
	Total	314085.89	100.00	788860	100.00
Gilt	Corporates	9124.77	61.34	5073	5.89

Types of schemes	Investor classification	AUM (in crores)	% to Total	No of Folios	% to Total
	Banks/FIs	173.33	1.17	62	0.07
	FIIIs	219.9	1.48	14	0.02
	High Networth Individuals	3831.29	25.76	10709	12.43
	Retail	1525.94	10.26	70324	81.6
	Total	14875.23	100.00	86182	100.00
Debt Oriented	Corporates	434466.92	58.26	134678	1.48
	Banks/FIs	10686.91	1.43	1750	0.02
	FIIIs	8673.65	1.16	63	0
	High Networth Individuals	224630.57	30.12	917325	10.05
	Retail	67232.87	9.02	8070797	88.45
	Total	745690.91	100.00	9124613	100.00
Equity Oriented	Corporates	78564.33	14.45	331176	0.81
	Banks/FIs	896.19	0.16	740	0
	FIIIs	3329.82	0.61	106	0
	High Networth Individuals	174322.45	32.07	1171529	2.87
	Retail	286428.43	52.7	39322660	96.32
	Total	543541.22	100.00	40826211	100.00
Balanced	Corporates	10163.12	11.99	50505	1.42
	Banks/FIs	98.75	0.12	89	0
	FIIIs	64.62	0.08	6	0
	High Networth Individuals	44114.51	52.04	306595	8.64
	Retail	30321.99	35.77	3191717	89.94
	Total	84762.99	100.00	3548912	100.00
Gold ETF	Corporates	2503.04	45.68	2498	0.69
	Banks/FIs	13.03	0.24	6	0
	FIIIs	0.79	0.01	1	0
	High Networth	1035.11	18.89	7243	1.99

Types of schemes	Investor classification	AUM (in crores)	% to Total	No of Folios	% to Total
	Individuals				
	Retail	1927.84	35.18	354362	97.32
	Total	5479.81	100.00	364110	100.00
ETFs(other than Gold)	Corporates	37113.02	83.52	10805	1.96
	Banks/FIs	2633.76	5.93	41	0.01
	FIIIs	336.97	0.76	15	0
	High Networth Individuals	1652.61	3.72	6847	1.24
	Retail	2699.28	6.07	533309	96.79
	Total	44435.64	100.00	551017	100.00
Fund of Funds investing Overseas	Corporates	345.94	19.8	708	0.65
	Banks/FIs	0.01	0	1	0
	FIIIs	0	0	0	0
	High Networth Individuals	792.61	45.36	4846	4.42
	Retail	608.73	34.84	104171	94.94
	Total	1747.29	100.00	109726	100.00
Grant total		1754618.99		55399631	

Source: AMFI

The AMC wise data shows that highest no of folios constituted by growth scheme followed by income scheme and balanced-funds. Among the folios, retail investors' participation was around 90 percent of a total number of folios of different schemes. While analyzing asset under management of different schemes, retail investors have comparatively highest percentage of portfolios in equity and balanced fund.

Table 3.9**Unit Holding Pattern of Private and Public Sector Mutual Funds as on 31st March 2017**

Category	No of folios	% of total investor accounts	AUM (crore)	% of total net assets
Private sector mutual funds				
Individuals	3,62,63,778	96.2	6,39,119	44.1
NRIs	7,93,011	2.1	51,128	3.5
FII's corporate/institution	6,58,422	1.7	7,50,550	51.8
Others	149	0.0	9,526	0.7
Total	3,77,15,360	100	14,50,323	100
Public sector mutual funds including UTI mutual fund				
Individuals	1,73,98,623	98.4	1,32,644	43.6
NRIs	1,76,226	1.0	7,046	2.3
FII's corporate/institution	1,09,414	0.6	1,64,514	54.1
Others	8	0.0	93	0.0
Total	1,76,84,271	100	3,04,297	100

Source: SEBI Annual Report

Table 3.9 exhibits data on private and public sector sponsored mutual funds wherein it is evident that the private sector mutual funds dominated by a higher number of folios and greater net assets. While private sector mutual funds had a 68.1 percent share in total folios of around Rs. 5.4 crores, the corresponding share of public sector mutual funds (including the UTI mutual fund) was only 31.9 percent as at the end of March 2017. In total net assets worth Rs.17.5 lakh crore as on March 31, 2017, the share of private sector mutual funds stood at 82.7 percent as compared to 17.3 percent for public sector mutual funds, including the UTI mutual fund.

Table 3.10**Trends in Transactions on Stock Exchange by Mutual Fund (in crores)**

Year	Equity			Debt			Total		
	Gross Purchase	Gross Sales	Net Purchase/Sales	Gross Purchase	Gross Sales	Net Purchase/Sales	Gross Purchase	Gross Sales	Net Purchase/Sales
2007-08	217578	201274	16306	298605	224816	73790	516183	426090	90095
2008-09	144069	137085	6984	327744	245942	81803	471815	383026	88787
2009-10	195662	206173	-10512	624314	443728	180588	819976	649901	170076
2010-11	154919	174893	-19975	764142	515290	248854	919060	690183	228879
2011-12	132137	133494	-1358	1116760	781940	334820	1248897	915434	333463
2012-13	113758	136507	-22749	1523393	1049934	473460	1637150	1186440	450711
2013-14	112131	133356	-21224	1538087	994842	543247	1650219	1128197	522023
2014-15	231409	190687	40722	1717155	1130138	587018	1948565	1320825	627741
2015-16	2,81,334	2,15,191	66,144	14,97,676	11,21,386	3,76,292	17,20,969	13,36,577	4,42,436
2016-17	3,76,874	3,20,316	56,559	16,05,937	12,86,084	3,19,853	19,82,812	16,06,399	3,76,412

Source: SEBI Handbook 2017

The table 3.10 shows that trends in the transaction on the stock exchange by mutual fund comprising of equity and debt. During 2016-17, the combined investment by mutual funds in debt and equity was Rs. 3,76,412 crore compared to Rs. 90,095 crore in 2007-08. Mutual funds were net sellers in equity segment with Rs.56,559 crore, whereas, their net investments in the debt segment rose by Rs. 3,19,853 crore during the same period. The combined net investment was positive for the last ten years.

3.8. Regulatory Framework of Mutual Funds in India

Major regulatory provisions of SEBI

- Mutual funds shall be authorized for business by SEBI
- The mutual fund shall be sponsored by the registered companies with soundtrack record, general reputation, and fairness in all their business transactions.
- The mutual fund shall be established in the form of trusts under Indian Trusts Act, The sponsoring institution will be free to work out the details regarding the constitution of the trust.
- The trust shall be authorized to float one or several different schemes under which units shall be issued to the investors.
- Mutual funds shall be operated by separately established Asset Management Companies (AMC) to be approved by SEBI.AMC cannot act as the Trustee of Unit Trusts.
- AMC cannot undertake any other business activity than management of mutual funds and such other activities as financial services constantly, exchange of research and analysis on a commercial basis as long as these are not in conflict with the management activity itself.
- The mutual fund shall use the services of a custodian registered with the SEBI. The custodian shall be totally delinked from the AMC.

- Each authorized mutual funds shall be allowed to float different schemes as long as the AMC concerned meets the required capital adequacy criteria. Each scheme floated by the mutual fund shall have prior registration with SEBI.
- Mutual funds can start and operate both closed-end and open-end schemes. For each closed-end scheme, the mutual fund shall be required to raise at least 20 crores and for each open-end scheme at least Rs 50 crore
- Mutual funds cannot keep closed-end scheme open for subscription for more than 45 days. For open-end scheme, the first 45 days of the subscription period should be considered for determining the target figure or minimum size.
- Mutual funds shall provide continuous liquidity. The closed-end scheme shall have to be listed on stock exchanges. For open-ended schemes, mutual funds shall sell and repurchase, units at predetermined prices based on NAV.
- Mutual funds are allowed to invest only in transferable securities either in the money market or in the capital market, including any privately placed debentures or securitized debt.
- Mutual funds shall not be allowed to provide term loans for any purpose.
- No individual scheme of the mutual fund shall invest more than 5 percent of its corpus in any one company's shares.
- No mutual fund under all its schemes shall own more than 5 percent of any company's paid up capital carrying voting rights.
- No mutual fund under all its schemes taken together shall invest more than 10 percent of its funds in the shares or debentures or other securities of a single company.

- No mutual fund under all its schemes taken together shall invest more than 10 percent of its funds in the shares or debentures or other securities of any specific industry.
- No scheme shall invest in or lend to another scheme under the same AMC.
- The AMC may charge the mutual funds with investment management and advisory services which should have been disclosed fully in the prospectus subject to the following ceiling;
 - a) 25 % of the weekly average net assets outstanding in the current year for the scheme concerned as long as the net assets do not exceed Rs 100 crore and
 - b) % of the excess amount over Rs 100 crore, where net assets so calculated exceed Rs 100 crore, and
 - c) All mutual funds must distribute a minimum of 90% of their profits in any given year.
- Every scheme should have at least 20 investors and no single investor should hold more than 25 percent of the fund's asset.
- Every mutual fund will have to furnish to SEBI at least the following periodic reports, in addition to any other SEBI may ask for;
 - a) Copies of the duly audited annual statement of account including balance sheet and profit and loss account for the funds and for each scheme, once a year.
 - b) Six monthly unaudited accounts as above.
 - c) A statement of movements in net assets for each of the schemes of the funds, every quarter.
 - d) A portfolio statement, including changes from the previous periods, for each scheme, every quarter.

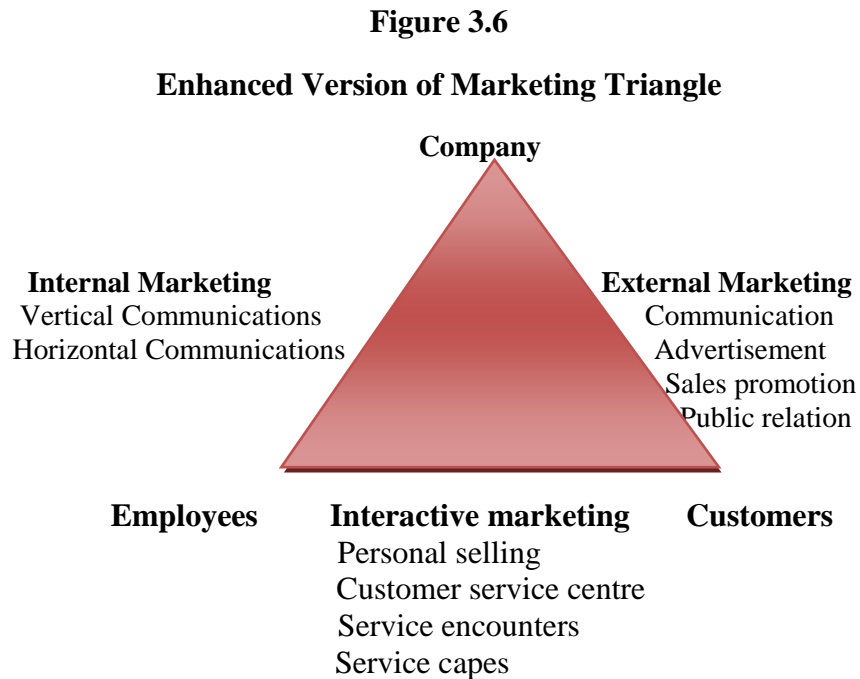
- All mutual funds are required to adopt a written code of ethics designed to deal with the potential conflicts of interest that may arise from transactions by the affiliated persons or companies.
- Every mutual fund shall have to cope with a common advertising code laid down by the SEBI.
- SEBI can, after due investigation, impose penalties on the mutual fund for violating the guidelines as may be necessary. However, for cases of penalties of suspension or de-authorization of mutual fund entities, prior concurrence of the RBI and the government is necessary.

3.9. Mutual Funds Marketing

The term marketing may be defined as the way in which an organization matches its human, financial and physical resources with the wants of its customers. Mutual funds in India have a crucial role to play in educating the investors, particularly in rural areas. The market segments of open-ended and close-ended funds are quite different because of distinct investment objectives. Likewise, the market segments of income schemes and growth schemes are different. Usually, the investors who are using income funds are risk averse while those in growth funds are risk takers. Accordingly, a specific marketing strategy for each type of fund needs to be designed. Nowadays' marketing has become a means of communication that interacts the audience with the brand. It's an original and unique advertising approach that immerses the customer with the brand and it even lets the customer reshape and market it in his own unique way. (Yapp, Mike).

Figure 3.6 shows an enhanced version of marketing triangle demonstrating that the customer services is the target of two types of marketing communication. First, external marketing communication expands from the company to the customer and includes such traditional communication channels as advertising, sales promotion, and public relations. Second, interactive marketing communication includes the messages that employees give to customers through such channels as personal selling, customer service interactions, service encounter interactions and

servicescapes. The third side of triangle reflects internal marketing which states that communication must be managed so that communications from the company to employees are accurate, complete and consistent with what the customer is hearing or seeing.



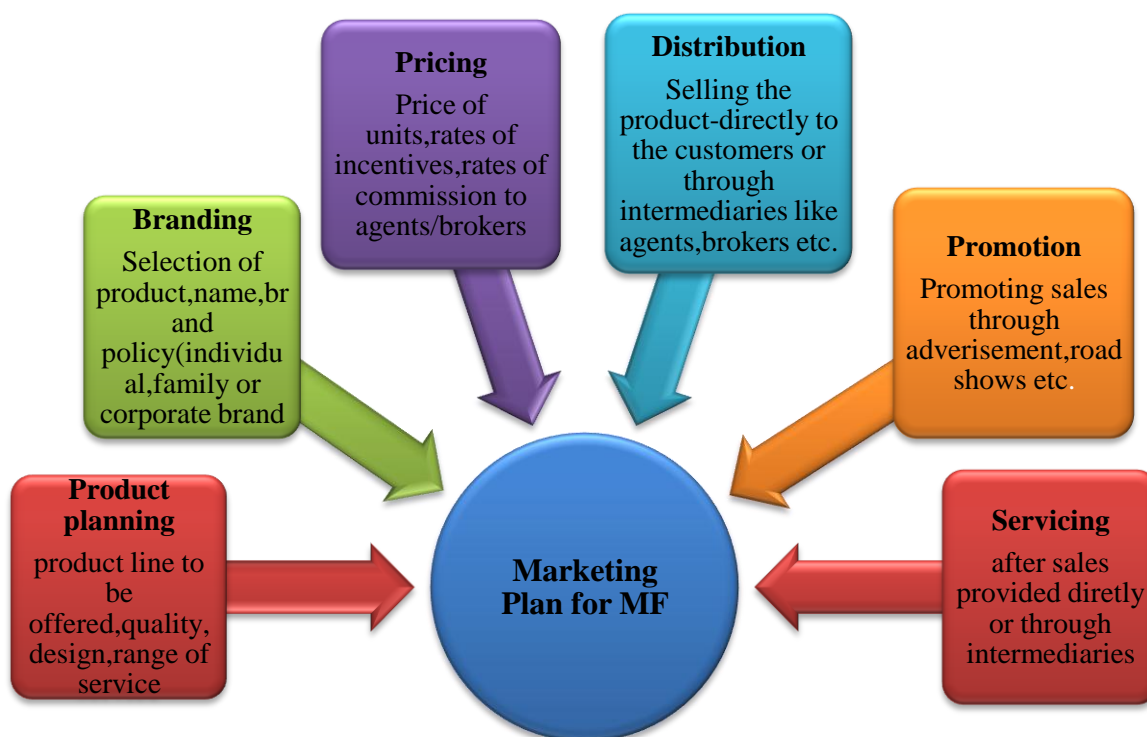
Source: Zeithaml, ValancA., and Bither, Mary Jo, (2007), “Services Marketing: integrating customer focus across the firm” Tata McGraw Hill Publication, Chapter-15, p. 445.

Marketing Plan for a Mutual Fund

A marketing plan for mutual fund services needs to emphasize the firm-product-customer relationship. The following figure 3.7 gives a broad outline of the elements that go into the formulation of a marketing strategy.

Figure 3.7

Marketing Plan for a Mutual Fund



The products (schemes) of mutual funds are basically investment-oriented and the savings mobilized by them are invariably invested in the instrument. As there is little scope for flexibility, due care needs to be taken while designing particular products. Like product planning, product launching is an essential element of marketing. Many Indian mutual funds have performed poorly because their launch has been wrongly timed. Market research can help to assess the needs of potential customers' availability of existing products and future growth in demand.

An important function of product development is the selection of the brand name and pricing of the product. Brand identity is an important factor in marketing because it facilitates product identification at the marketplace. In India, most

products are connected to the names of mutual funds. However, there are others which are not, e.g., the Dhan Series is identified with LIC Mutual Fund, the Master Series with UTI and Magnum with SBI Mutual Fund. Cowell(1984)states that the price of a service should be related to the achievement of marketing and organizational goals. The SEBI (Mutual Funds) Regulations, 1996, contains guidelines on the pricing of units. As per these guidelines, the scheme may provide for the price at which the units may be subscribed to by or sold to the independent participants in the scheme and the price at which they may, at any time, be repurchased by the mutual funds. According to the SEBI regulations, the AMC can charge the mutual funds with investment, management, and advisory fees, which are fully disclosed in the prospectus.

The identification of appropriate market segments for the product, and the selection of appropriate market segments for the product, and the selection of appropriate distribution channels and promotional aids are essential. The identification of the appropriate market segments is vital for the distribution and promotion of the product. Market segments are identified on the basis of the nature of the product, direct and indirect benefits of the product, requirements of the customers, product usage rate and so on. While Indian mutual funds still depend mostly on retailing, there has been a tremendous change in the marketing strategy since 1993. And communication is also crucial for effective marketing, communication through advertisement is the most important promotional aid for mutual fund.

The marketing of services is significantly influenced by the quality of service as well as the interpersonal relationship between the customers and the organization providing the services. Servicing plays a crucial role in the mutual fund industry, as in any other financial service industry. Most mutual funds in India provide after-sales services, both through external agencies and an internal service department, although they largely rely on external agencies (registrars and transfer agents)who are specialized in the job. In order to ensure the quality services to customers, service audit would be of great help as it would help monitor the range of service

usually rendered by mutual funds. These services relate to sales, complaints, and suggestions. Service standards can be fixed on the basis of the customers' levels of expectations, which can be ascertained through market surveys.

3.10. Recent Developments in Mutual Fund Marketing

Marketing is a dynamic process which changes with the new developments in the socio-financial environment. Indian market witnessed many changes in the 1990s in terms of the emergence of competition, market regulations, innovation in products, investors' awareness and technological innovations. The mutual fund industry slowly started taking new initiatives in order to adapt to the emerging market environment. The measures taken to improve marketing include widening the product basket, enlarging the chain of product placement and improved disclosure with respect to the product.

The offer documents have become more structured and contain information relating to service and management. The use of technology for communication selling and servicing has also improved the marketing of mutual fund. Further, as a result of competition arising from the entry of private sector mutual fund, investors now have a wider choice in terms of products, costs and management style. The media is also playing a significant role in disseminating information and it facilitates the process of informed decision-making by investors.

The marketing of MF is a critical activity and it calls for a futuristic vision with respect to the product as well as more scientific and structured approach to market penetration and product placement. The other developments include the introduction of training and self-regulation for marketing personnel and the programme for investors' education, both initiated by the Association of Mutual Funds in India (AMFI). More significant, however, is SEBI's Marketing Code for mutual funds, which has made mutual fund marketing a more regulated and disciplined activity, more alert to the investor's rights and expectations.

3.10.1 Marketing Code for Mutual Funds

The marketing code aims at preventing mutual funds from using deceptive statements and publicity to attract investors. The marketing codes are given below;

- The contents of the advertisements of mutual funds should be verifiable from the offer documents. Any forecast of the NAV or growth or any promise of returns would be considered misleading unless it is backed by adequate reserve funds or guarantees by the sponsor or third parties.
- Any advertisement or sales literature issued by mutual funds, if it gives part income, returns, growth in the NAV, but not calculated as per the guidelines would be treated as misleading the public.
- AMCs cannot make claims about the managements' capabilities unless the claims are supported by a track record of three years.
- In addresses to a wider audience through seminars or through electronic media, any person connected with a particular fund must restrict himself to generalities and avoid making specific references.
- Advertisement and sales literature have to be accompanied or preceded by an offer document.
- Exaggerated claims, the use of superlatives and expressing an opinion about the performance of a fund is prohibited unless the fund can present statistics to support its claims.
- While communicating with investors, mutual funds can not treat risk disclosure as required under law as a hedge.
- If performance figures are used in any advertisement or sales literature, the name of the scheme, its objective, details of dividend payments and the prevailing NAV must be mentioned.
- The calculation of returns would assume that all payouts during the period have been reinvested in the units of the scheme at the prevailing NAV, and this should be clarified in the advertisements.

- The mutual fund should present the annualized yield of the scheme in existence for more than a year, but not of those in existence for less than a year.
- Simple annualized yields can be shown for money market and other liquid schemes, provided that the performance figure is available for at least 30 days.

3.10.2 Short Comings of Marketing Strategies

The marketing strategies developed and pursued by Indian mutual funds till now have several shortcomings. Some of the serious drawbacks in the marketing of mutual funds are as follows.

- The marketing strategy has failed to address the psychology and expectations of the investors.
- Many mutual funds have a myopic approach to marketing and not enough importance is given to the long-term implications of their strategies.
- The marketing strategy of most mutual funds is lackluster.
- While designing the marketing strategy, most funds fail to take stock of changes in the socio-economic structure of the market. This has resulted in a strong urban bias, among other things.
- Excessive dependence on individual agents for distribution has hampered the growth of institutional and corporate distributors. There is virtually no low-cost direct distribution network.

3.11. Challenges Faced by Indian Mutual Fund Industry

Lack of Customer Awareness

The important challenge faced by Indian mutual fund industry is low customer awareness level. Indian mutual fund, so far, has not been able to create rural sector investment base. Mutual fund penetration is low compared to other global peers. The low level of penetration is due to the lack of awareness about mutual fund products. And to improve the penetration, investor awareness should be

provided at grass root levels and provide access to financial services to the untapped population.

Ineffective Distribution Network

The mutual fund industry has limited penetration in beyond the top 20 cities. Rural participation in the mutual fund continues to be poor. This low penetration is due to lack of investor education, inefficiencies in fund transfer mechanism etc. They need adequate banking infrastructure, distribution facility and technological support. Suitable distribution network should be designed to reach the services to semi-urban and rural people. The distribution network of most mutual fund houses is largely focused on the Top 20 cities. However, some of the mutual fund houses have begun focusing on cities beyond the Top20 by building their branch presence and strengthening distribution reach through non-branch channels.

Lack of Innovation

Fund houses have introduced interesting technological innovations such as transacting through the internet, net asset value updates on mobile phones, unit balance alerts via SMS messages, transacting through ATM cards etc. However, these innovations currently cater to the already pampered urban class of investors. The internet upheaval in our country is yet to penetrate to the grass root levels. And also mutual funds in India have not been able to provide innovative schemes in terms of risk, liquidity, and choice of the investors. The industry has had a limited attention on innovation and new product development, thereby catering to the limited needs of the customer. Products that cater particularly to customer life stage needs such as education, marriage, and housing are yet to find their way in the Indian market.

Cost Pressures

Cost pressure results in another barrier to mutual fund industry. Managing the cost of distribution has always posed a challenge without diminishing the profit margin of AMCs

Multiple Regulatory Frameworks

The regulatory and compliance requirements vary across within the financial services sector especially mutual funds, insurance and pension funds each of which are governed by an independent regulatory framework and are competing for the same share of the customer's wallet. The mutual fund industry fails to play with regulations in comparison with other verticals within the financial services sector. The obligatory PAN card requirement for investing in mutual funds is perceived to restrict the significant potential of the mutual fund industry is being able to tap small ticket investors from investing in mutual funds. On the other hand, ULIP's which are deemed to be competing products do not have the mandatory PAN requirement. The strong regulatory platform is a key becall in any business environment, more so in the Indian context at this point on the growth curve of the industry.

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Chapter **4**

**INVESTMENT DECISIONS OF
MUTUAL FUND INVESTORS**

4.1. Introduction

Investment means sacrificing present consumption for future gains. Investment management is a planned decision to invest money in financial assets with a risk-return trade-off. Investors need to identify the objective of their investment as well as their constraints. A better understanding of behavioral aspects will help the investors to select a suitable investment option. A normal investor is unlikely to have the skill, knowledge, inclination and time to keep track of events and market timing efficiency. A mutual fund is a solution to this problem. There are a number of mutual funds to suit the needs and preferences of investors. The choice of the fund is linked to the demand of the investor. The objective of earning help in deciding the type of funds where investment is made. To accomplish the different objectives of the investors, mutual fund adopts different strategies and accordingly offers different schemes of investment.

This chapter analyses the investment decisions of mutual fund investors in Kerala. Investors are analyzed on the basis of their demographic features of the region, gender, marital status, age, education, occupation and monthly income, investment objectives, years of experience in MF, fund preferences, preference on AMCs. To understand the investment habit of mutual fund investors, the researcher has made an attempt to study the association between investment objectives of mutual fund investors and their demographic features and also their level of preference. Investor's specific attitude and perception towards Mutual fund are also included in this chapter.

4.2. Demographic Features of Sample Units

The important demographic variables included in this study are region, gender, marital status, age, educational qualification, monthly income and their occupation. In order to study the investment decisions in a mutual fund, a sample of 450 respondents was selected and their opinion was collected. The following table depicts the distributions of investors on the basis of their demographic features.

Table 4.1
Demographic Profile of Respondents

Sl No	Variables		No of respondents	Percent
1	Region	South	150	33.3
		Central	150	33.3
		North	150	33.3
		Total	450	100
2	Gender	Male	351	78.0
		Female	99	22.0
		Total	450	100
3	Marital Status	Married	349	77.6
		Unmarried	101	22.4
		Total	450	100
4	Age Category	Below 30	105	23.3
		30-40	121	26.9
		40-50	114	25.3
		50 & Above	110	24.4
		Total	450	100
5	Educational Qualification	SSLC	21	4.7
		Higher Secondary	93	20.7
		Graduate	181	40.2
		Post Graduate	88	19.6
		Professional	67	14.9
		Total	450	100
6	Monthly Income	10001-20000	131	29.1
		20001-30000	169	37.6
		30001-40000	90	20.0
		40001-50000	32	7.1
		above 50001	28	6.2
		Total	450	100
7	Occupation	Govt Employee	94	20.9
		Private Sector	108	24.0
		Business	86	19.1
		Professional	70	15.6
		Self Employed	49	19.9
		Retired	24	5.3
		NRI	19	4.2
		Total	450	100

Source: Survey Data

Gender is an important variable in the study of investment decision and risk perception of investors. In general male investors are willing to take investment decision according to their risk-taking ability, but females are looking for safe investment. The table shows that, out of 450 sample respondents surveyed, 351 (78 percent) respondents are males and remaining 22 percent are females. The above table shows that most of the investors are married they constitute 77.6 percent and remaining respondents are unmarried which constitute 101(22.4 percent).

Under this study age is confined to four heads; namely, below 30 years,30 to 40 years,40 to 50 years and 50 years and above. Table 4.1 depicts the age wise profile of individual investors of mutual funds. It can be seen from the table that 121 investors (26.9%) belonged to the age group of 30-40; followed by 114 investors (25.3%) in the age group of 40 to 50. Therefore approximately 110 (24.4) individual investors are in the category of 50 and greater than 50 years. The proportion of investor either belonging to the category of below 30 years was 105(23.3%) investors.

The study focused on the investment pattern and investment decision making of investors in the security market. Complicated security market requires good knowledge and skill. The highly educated investors are having more capacity to analyze the market conditions and also take investment decisions properly. The level of education of investors confined to SSLC, Higher secondary, Graduates, Postgraduates, and Professionals. Out of 450 respondents, 181(40.2 percent) were graduates and next highest category was higher secondary (93) investors. The educational qualification wise classification of 450 investors shows that 4.7 percent have passed their 10th standard. Under the study postgraduates and professionals are the inconsiderable proportion of 19.6 and 14.9 percent respectively.

Savings and investment behavior of investors is very much influenced by their income. Income is the base for all investment activities. Investors are those who earn more income are willing to take more risk and also invest more amounts. For income wise analysis, monthly income of the respondents was collected and are grouped into five categories according to their income such as Rs. 10001-20000,

Rs. 20001-30000, Rs. 30001-40000, Rs. 40001-50000 and above Rs. 50001. The table displays that 131(29.1 percent) respondents are belonging to Rs. 10001-20000, 169 (37.6 percent) respondents were in the income category of Rs. 20001-30000, 90(20 percent) respondents were in the income group of Rs.30001-40000, 32(7.1 percent) respondents were in the category of Rs.40001-50000 and 6.2 percent respondents were in the category of above Rs.50000. The table shows that majority of the investors (86.7 percent) having a monthly income between Rs.10001-40000 because the majority of the respondents are employees.

The occupational background represents the occupation of the investors at present. An occupation which affects the investment behavior of the individuals. On the basis of occupation, respondents were classified into seven categories such as Government employee, Private sector employee, Business, Professional, Self-employed, retired and NRIs. The above table indicates that out of 450 respondents, 108(24 percent) respondents are private employees, 94 respondents (20.9 percent) are government employees, 86 (19.1 percent) respondents are doing business, 15.6 percent respondents are professionals, 19.9 percent respondents are self-employed, 5.3 percent respondents are retired people and only 4.2 percent respondents are non residents.

Table 4.2
Savings of Respondents

Saving percent	Frequency	Percent
Up to 20%	82	18.2
21%-30%	185	41.1
31%-40%	140	31.1
41% and above	43	9.6
Total	450	100.0

Source: Survey Data

The table 4.2 exhibits that most of the respondents (41.1 percent) are making savings in the range of 21 percent to 30 percent of their total income in every year. Out of 450 respondents, 140 respondents made savings in between 31 percent to 40

percent of their total income. And 9.6 percent of respondents are making savings above 41 percent, and 18.2 percent are saving below 20 percent of their total income.

Table 4.3
Savings and Gender Cross Tabulation

Gender	Savings (percent of total investment)				
	Upto 20%	21%-30%	31%-40%	41% and above	Total
Male	68 (19.4%)	152 (43.3%)	91 (25.9%)	40 (11.4%)	351 (100.0%)
Female	14 (14.1%)	33 (33.3%)	49 (49.5%)	3 (3.0%)	99 (100.0%)
Total	82 (18.2%)	185 (41.1%)	140 (31.1%)	43 (9.6%)	450 (100.0%)
$\chi^2 = 22.471$ ** df = 3; P = 0.000					

** Significant at 0.05 levels

Source: Survey Data

It is clear from the table that, out of 351 males, 19.4 percent are saving only less than 20 percent of their total income, 43.3 percent of the males are saving 21-30 percent of their earning, about 25.9 percent are saving 31-40 percent of their earning and the remaining 11.4 percent are saving more than 40 percent of their total income. In case of females, about 14.1 percent are saving less than 20 percent of total income, 33.3 percent are saving 21-30 percent and 49.5 percent are saving 31-40 percent and 3 percent are saving more than 41 percent of their total income. Chi-square test was conducted to test whether there is any significant association between the savings and gender of the respondent. The p-value is 0.000 and hence it is concluded that ($p < 0.05$) there is a significant association between the gender and their percent of savings.

Table 4.4
Savings and Age Cross Tabulation

Age	Savings (percent of total investment)				
	Upto 20%	21%-30%	31%-40%	41% and above	Total
Below 30	38 (36.2%)	47 (44.8%)	16 (15.2%)	4 (3.8%)	105 (100.0%)
30-40	19 (15.7%)	71 (58.7%)	22 (18.2%)	9 (7.4%)	121 (100.0%)
40-50	14 (12.3%)	34 (29.8%)	53 (46.5%)	13 (11.4%)	114 (100.0%)
50 &above	11 (10.0%)	33 (30.0%)	49 (44.5%)	17 (15.5%)	110 (100.0%)
Total	82 (18.2%)	185 (41.1%)	140 (31.1%)	43 (9.6%)	450 (100.0%)
$\chi^2 = 80.236^{**}$ df = 9; P = 0.000					

** Significant at 0.05 levels

Source: Survey Data

The Table indicates that, among the investors in the age group below 30, 36.2 percent respondents are saving less than 20 percent, 44.8 percent of respondents are saving in between 21- 30 percent, 15.2 percent respondents are saving in the range of 31-40 and 3.8 percent respondents are saving more than 41 percent of their total income. In the age group of 30-40 about 15.7 percent respondents are saving less than 20 percent and 58.7 percent respondents are saving 21-30 percent, 18.2 percent respondents are saving 31-40 percent and 7.4 percent respondents are saving more than 41 percent.

In the age group of 40-50 years, 12.3 percent respondents are saving less than 20 percent, 29.8 percent respondents are saving 21-30 percent, 46.5 percent respondents are saving 31-40 percent and 11.4 percent respondents are saving more

than 41 percent of their total income. Among the respondents in the age group of 50 and above, 10 percent respondents are saving only less than 20 percent, 30 percent respondents are saving 21-30 percent, 44.5 percent respondents are saving 31-40 percent and remaining 15.5 percent respondents are saving more than 41 percent of their total income.

To test whether there is any significant association between the percent of saving and their age, the chi-square test was conducted. $P = 0.000$, hence the result is significant.

Table 4.5
Savings and Monthly Income Cross Tabulation

Monthly income	Savings (percent of total investment)				Total
	Upto 20%	21%-30%	31%-40%	41% and above	
10001-20000	52 (39.7%)	75 (57.3%)	4 (3.1%)	0 (0.0%)	131 (100.0%)
20001-30000	30 (17.8%)	77 (45.6%)	62 (36.7%)	0 (0.0%)	169 (100.0%)
30001-40000	0 (0.0%)	26 (28.9%)	51 (56.7%)	13 (14.4%)	90 (100.0%)
40001-50000	0 (0.0%)	7 (21.9%)	15 (46.9%)	10 (31.3%)	32 (100.0%)
above 50001	0 (0.0%)	0 (0.0%)	8 (28.6%)	20 (71.4%)	28 (100.0%)
Total	82 (18.2%)	185 (41.1%)	140 (31.1%)	43 (9.6%)	450 (100.0%)
$\chi^2 = 302.477^{**}$ df = 12; P = 0.000					

** Significant at 0.05 levels

Source: Survey Data

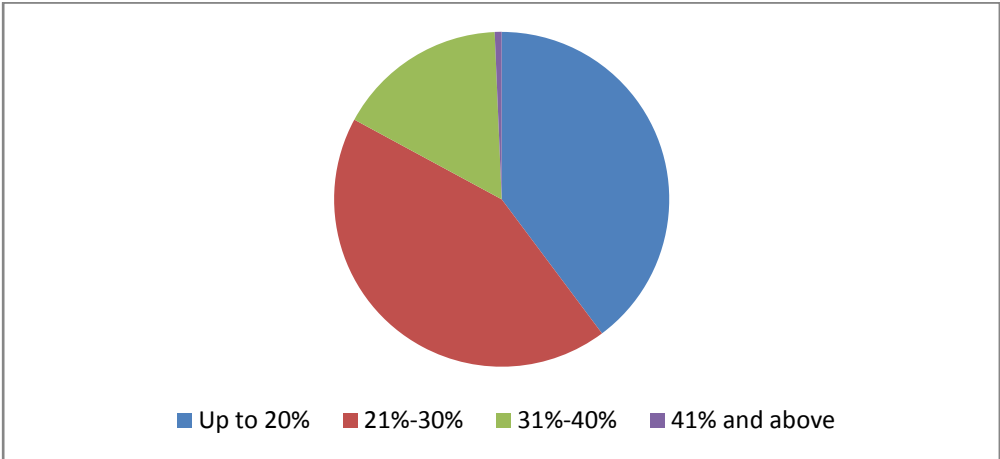
The table 4.5 reveals that among the investors in the monthly income group of Rs. 10001-20000, 39.7 percent respondents are saving less than 20 percent, 57.3

percent respondents are saving 21 - 30 percent and remaining 3.1 percent respondents are saving 31 - 40 percent of their total income. In the monthly income group of Rs. 20001-30000, 17.8 percent respondents are made savings less than 20 percent and 45.6 percent are saving 21-30 percent and remaining 36.7 percent respondents are making savings within the range of 31-40 percent of their total income. In the monthly income of Rs.30001-40000, 28.9 percent are made savings in the range of 21-30 percent, 56.7 percent are saving 31-40 percent and 14.4 percent are saving more than 41 percent of their total income. In the monthly income group of Rs. 40001-50000,21.9 percent are saving 21 -30 percent, 46.9 percent of the investors are making savings in the range of 31-40 and 31.3 are saving more than 41 percent. In the monthly income group of above50001, 28.6 percent of the investors are saving 31-40 percent, and 71.4 percent are saving more than 41 percent of their total income.

To test whether there is any significant association between the percent of saving and their income, the chi-square test was conducted. $P = 0.000$, hence the result is significant.

Figure 4.1

Investment Percent of Respondents



Source: Survey Data

The figure 4.1 portrays that the investment percentage of the respondents in Kerala. Out of 450 respondents surveyed, 194 respondents make an investment in between 21 percent to 30 percent of their total income, 179 respondent's investment below 20 percent of the total income, and 74 respondents' makes an investment in the range of 31 percent to 40 percent of their total income. Only negligible percent (0.7 percent) are making an investment of 41 percent above of their total income.

To test the association between the investment percent and demographic variables of gender, age, educational qualification and income, Chi-square test was used. The following tables depict the results.

Table 4.6
Cross Tabulation of Investment and Gender

Gender	Investment (percent of total investment)				Total
	Upto 20%	21%-30%	31%-40%	41% and above	
Male	149 (42.5%)	143 (40.7%)	56 (16.0%)	3 (0.9%)	351 (100.0%)
Female	30 (30.3%)	51 (51.5%)	18 (18.2%)	0 (0.0%)	99 (100.0%)
Total	179 (39.8%)	194 (43.1%)	74 (16.4%)	3 (0.7%)	450 (100.0%)
$\chi^2 = 6.023^{**}$ df = 3; P = 0.111					

** Significant at 0.05 levels

Source: Survey Data

It is observed from the table that, out of 351 males, 149 respondents are investing only less than 25 percent of their total income, 143 males are investing 21-30 percent of their earning, about 56 males are investing 31-40 percent of their total income. In case of females, about 30.3percent are investing less than 20 percent, 51.5 percent are investing 21-30 percent and 18.2 percent females are investing 31-40 percent of their total income.

To test whether there is any significant association between the investment and gender of the respondents, the chi-square test was applied. The result shows that p-value is 0.111 and it is greater than 0.05, so the hypothesis is accepted and there is no significant association between the gender and percent of the investment.

Table 4.7
Cross Tabulation of Investment and Age

Age	Investment (percent of total investment)				
	Up to 20%	21%-30%	31%-40%	41% and above	Total
Below 30	65 (61.9%)	37 (35.2%)	3 (2.9%)	0 (0.0%)	105 (100.0%)
30-40	65 (53.7%)	37 (30.6%)	19 (15.7%)	0 (0.0%)	121 (100.0%)
40-50	31 (27.2%)	58 (50.9%)	25 (21.9%)	0 (0.0%)	114 (100.0%)
50 & above	18 (16.4%)	62 (56.4%)	27 (24.5%)	3 (2.7%)	110 (100.0%)
Total	179 (39.8%)	194 (43.1%)	74 (16.4%)	3 (0.7%)	450 (100.0%)
$\chi^2 = 78.106$ ** df = 9; P = 0.000					

** Significant at 0.05 levels

Source: Survey Data

The Table shows that, among the investors in the age group below 30, 61.9 percent are investing less than 20 percent 35.2 percent are investing in between 21-30 percent and 2.9 percent are investing in the range of 31-40 percent of their total income. In the age group of 30-40, about 53.7 percent respondents are investing less than 20 percent and 30.6 percent are investing 21-30 percent, 15.7 percent are investing 31-40 percent and no one makes investments more than 41 percent of their total income. In the age group of 40-50, 27.2 percent respondents are investing less than 20 percent and 56.4 percent are investing 21-30 percent and 21.9 percent are

investing 31-40 percent of their total income. Among the respondents in the age group of 50 and above 16.4 percent respondents are investing only less than 20 percent, 50.9 percent are investing 21-30 percent, 24.5 percent are investing 31 –40 percent and remaining 2.7 percent are investing more than 41 percent of their total income for investments.

The p-value is 0.000 and it is less than 0.05. Chi-square test reveals that there is a significant association between the age and investment percent of respondents at five percent level of significance.

Table 4.8
Cross Tabulation of Investment and Educational Qualification

Educational qualification	Investment (percent to total investment)				
	Upto 20%	21%-30%	31%-40%	41% and above	Total
SSLC	11 (52.4%)	9 (42.9%)	1 (4.8%)	0 (0.0%)	21 (100.0%)
Higher secondary	33 (35.5%)	52 (55.9%)	8 (8.6%)	0 (0.0%)	93 (100.0%)
Graduate	69 (38.1%)	85 (47.0%)	27 (14.9%)	0 (0.0%)	181 (100.0%)
Post graduate	37 (42.0%)	29 (33.0%)	20 (22.7%)	2 (2.3%)	88 (100.0%)
Professional	29 (43.3%)	19 (28.4%)	18 (26.9%)	1 (1.5%)	67 (100.0%)
Total	179 (39.8%)	194 (43.1%)	74 (16.4%)	3 (0.7%)	450 (100.0%)
$\chi^2 = 29.434^a$ ** df = 12; P = 0.003					

** Significant at 0.05 levels

Source: Survey Data

It is clear from the table that, the respondents have SSLC educational qualification, 52.4 percent respondents make an investment only less than 20 percent, 42.9 percent makes an investment in the range of 21-30 and 4.8 percent are investing 31-40 of their total income. In the case of higher secondary, 33(35.5 percent) respondents were investing only less than 20 percent and 55.9 percent respondents are investing in the range of 21 to 30 percent and 8.6 percent respondents were investing in the range of 31 to 40 percent. In the case of educational qualification graduates, 38.1 percent were investing less than 20 percent and 61.9 percent respondents are making investments in the range of 21-40 percent of their total income.

In the case of postgraduates, 42 percent were investing less than 20 percent of their total income, 33 percent make investments within the range of 21-30, 22.7 were investing in between the range of 31-40 and remaining 2.3 percent were investing more than 41 percent of their total income. In the case of professional, 43.3 percent were investing less than 20 percent .28.4 percent within the range of 21-30 percent, 26.9 percent were making investments in between 31-40 and remaining 1.5 percent respondents make more than 41 percent for investments.

To test whether there is an association between the percent of investments and their educational qualification, chi square test was conducted. The p-value is 0.003, chi-square result suggested that $p < 0.05$. So the hypothesis rejected. We can conclude that there is a significant association between the educational qualification and investment percentage of respondents.

Table 4.9**Investment and Monthly Income Cross Tabulation**

Monthly income	Investment (percent of total investment)				
	Upto 20%	21%-30%	31%-40%	41% and above	Total
10001-20000	105 (80.2%)	22 (16.8%)	4 (3.1%)	0 (0.0%)	131 (100.0%)
20001-30000	72 (42.6%)	97 (57.4%)	0 (0.0%)	0 (0.0%)	169 (100.0%)
30001-40000	2 (2.2%)	67 (74.4%)	21 (23.3%)	0 (0.0%)	90 (100.0%)
40001-50000	0 (0.0%)	8 (25.0%)	24 (75.0%)	0 (0.0%)	32 (100.0%)
above 50001	179 (39.8%)	194 (43.1%)	74 (16.4%)	3 (0.7%)	450 (100.0%)
Total	179 (39.8%)	194 (43.1%)	74 (16.4%)	3 (0.7%)	450 (100.0%)
$\chi^2 = 420.802$ ** df = 12; P = 0.000					

** Significant at 0.05 levels

Source: Survey Data

The table reveals that among the investors in the monthly income group of Rs. 10001-20000, 80.2 percent are investing less than 20 percent, 16.8 percent are investing 21 - 30 percent and remaining 3.1 percent are saving 31 - 40 percent of their total income. In the monthly income group of Rs. 20001-30000, 42.6 percent are investing less than 20 percent and remaining 57.4 percent are making investments within the range of 21-30 percent of their total income. In the monthly income of Rs. 30001-40000, 2.2 percent are making investments only less than 20 percent, 74.4 percent are investing 21-30 percent and 23.3 percent are investing more than 41 percent of their total income. In the monthly income group of Rs.40001-50000, 25 percent are investing 21 -30 percent and remaining 75 percent make their investments in the range of 31-40 percent. In the monthly income group of above Rs.50001, 39.8 percent of the investors are investing less than 20 percent, 43.1

percent respondents make investments within the range of 21-30 percent, 16.4 percent are investing in between 31-40 and 0.7 percent are investing more than 41 percent of their total income.

To test whether there is an association between the percent of investments and their income, the chi-square test was conducted. $P = 0.000$, Hence, the hypothesis rejected and accept the alternative hypothesis of there is a significant association between the amount of investment and monthly income.

4.3. Investments in Mutual Fund

There are various investment alternatives available for investors. Choosing wise investment from a plethora of investment avenues is a crucial problem faced by every investor. Selecting right investment from the troublesome financial market require considerable knowledge, skill, and expertise of the investors. Thus a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. To understand the respondent's investment percentage, the researcher asked to choose their investment percent from the following categories. The percent of investments in a mutual fund to the total investment was grouped into four categories, namely 25 percents and less than 25 percentages, 26 -50, 51-75, 75 percent above. The Table 4.10 shows that the amount of investments in mutual funds by the respondents.

Table 4.10
Investments in Mutual Fund

Investment in Mutual Fund (Percent to total amount of investments)	Frequency	Percent
25% and less than 25%	192	42.7
26%-50%	201	44.7
51%-75%	36	8.0
76% and above	21	4.6
Total	450	100.0

Source: Survey Data

From Table 4.10, it is clear that, out of the 450 investors, 42.7 percent respondents are investing less than 25 percent of their total investments in mutual fund, 44.7 percent of the respondents are investing 26-50 percent of their total investments in mutual fund, 8 percent are investing in between 51-75 percent and 4.7 percent is investing in between 76 percent above of their total financial investments in mutual funds. So, the majority of the respondents 258 (57.33 percent) are investing more than 25 percent of their total investments in mutual funds.

It is necessary to crosstabs the investments in a mutual fund with various demographic features of the respondent to know there is any similarity in the surveyed group. For the purpose of comparing the amount of investments with regard to demographic variables, the following hypotheses are formulated.

H₀: There is no significant association between the investment in mutual fund and region

H₀: There is no significant association between the investment in mutual fund and gender

H₀: There is no significant association between the investment in mutual fund and marital status

H₀: There is no significant association between the investment in mutual fund and the age group of respondents

H₀: There is no significant association between the investment in mutual fund and educational qualification

H₀: There is no significant association between the investment in mutual fund and occupation

H₀: There is no significant association between the investment in mutual fund and monthly income of the respondents

Table 4.11
Investments in Mutual Funds-Region Wise Analysis

Region	Investments in MF				
	25% and less than 25%	26%-50%	51%-75%	76% and above	Total
North	87 (58.0%)	47 (31.3%)	9 (6.0%)	7 (4.7%)	150 (100.0%)
Central	47 (31.3%)	80 (53.3%)	16 (10.7%)	7 (4.7%)	150 (100.0%)
South	58 (38.7%)	74 (49.3%)	11 (7.3%)	7 (4.7%)	150 (100.0%)
Total	192	201	36	21	450
$\chi^2 = 24.734^{**}$ df = 6; P = 0.000					

** Significant at 0.05 levels
Source: Survey Data

Table 4.11 shows that, in the northern region, out of 150 respondents 87 respondents (58 percent) are investing only less than 25 percent of their total investments in mutual funds and 31.3 percent are investing 26-50 percent of their total investments in mutual funds. In the central region, out of 150 respondents, forty-seven respondents (31.3) percent are investing only less than 25 percent of their total investments in mutual funds, 53.3 percent are investing 26-50 percent of their total investments in mutual funds, 10.7 percent and 7 percent respondents are investing 51-75 percent and above 76 percent respectively of their total investments in mutual funds. In the southern region, out of 150 respondents 58 respondents (38.7percent are investing only less than 25 percent of their total investments in mutual funds and 49.3 percent are investing 26-50 percent of their total investments in mutual funds.

To test whether there exists any significant association between region and percentage of investments in mutual funds, Pearson chi-square test was conducted. The result shows that p-value is 0.000 and it is less than 0.05 and the hypothesis was

rejected. Hence it is concluded that there is an association between the region and investments in mutual funds.

Table 4.12
Investments in Mutual Funds and Gender Wise Analysis

Gender	Investments in MF				
	25% and less than 25%	26%-50%	51%-75%	76% and above	Total
Male	152 (43.3%)	152 (43.3%)	30 (8.5%)	17 (4.8%)	351 (100.0%)
Female	40 40.4%	49 49.5%	6 6.1%	4 4.0%	99 100.0%
Total	192	201	36	21	450

$\chi^2 = 1.518^{**}$ df = 3; P = 0.678

** Significant at 0.05 levels

Source: Survey data

From Table 4.12, it is clear that, out of 351 males, 43.3 percent are investing only less than 25 percent of their total investments in mutual funds, 43.3 percent of the males are investing 25-50 percent of their earning, about 8.5 percent are investing 50-75 percent of their earning and the remaining 4.8 percent are investing 76 percent above of their investments in MFs. In the case of females, about 40.4 percent are investing less than 25 percent in mutual funds, 49.5 percent are investing 25-50 percent in mutual funds and 6.1 percent are investing 50-75 percent in mutual funds and 4 percent are investing more than 75 percent of their total income on mutual funds.

H₀ = There is no association between the percent of investments in mutual funds and gender of the respondents.

The p-value is 0.678 and the results show that $p > 0.05$ and the hypothesis were accepted. Hence the study was concluded that there is no significant association between the percentage of investments in mutual fund and their gender.

Table 4.13

Percent of Investments in Mutual Funds and Marital Status

Marital status	Investments in MF				
	25% and less than 25%	26%-50%	51%-75%	76% and above	Total
Married	122 (35.0%)	178 (51.0%)	34 (9.7%)	15 (4.3%)	349 (100.0%)
Unmarried	70 (69.3%)	23 (22.8%)	2 (2.0%)	6 (5.9%)	101 (100.0%)
Total	192	201	36	21	450

$\chi^2 = 41.990^{**}$ df = 3; P = 0.000

** Significant at 0.05 levels

Source: Survey data

The table 4.13 depicts the cross-tabulation of investments in mutual fund and the marital status of the respondents. Out of 450 respondents, 349 respondents were married and among these respondents 35 percent are investing less than 25 percent of their total investments in mutual funds, 51 percent of the married respondents are investing 25-50 percent of their earning in mutual funds and about 9.7 percent are investing 50-75percent of their earning and the remaining 4.3 percent are investing 76 percent above of their investments in MFs. It is clear that in the case of married respondents, 65 percent are investing in mutual fund above 25 percent of their total investments. In the case of unmarried respondents, only 30.7 percent are investing in mutual fund above 25 percent and remaining 69.3 percent are investing less than 25 percent of their total investments in mutual funds.

H₀ =There is no association between the investments in mutual funds and the marital status of the respondents

The Chi-Square test of independence reveals a chi-square Value of 41.99 and a P value of 0.000. Based on these values, the null hypothesis, there is no significant association between the investments in mutual funds and the marital status of the

respondents, is rejected and the alternative hypothesis, there is an association between the investments in mutual funds and the marital status of the respondents is accepted. Hence, it can be concluded that there is an association between the investments in mutual funds and the marital status of the respondents.

Table 4.14
Investments in Mutual Funds and Age Category

Age category	Investments in MF				
	25% and less than 25%	26%-50%	51%-75%	76% and above	Total
Below 30	65 (61.9%)	31 (29.5%)	4 (3.8%)	5 (4.8%)	105 (100.0%)
30-40	63 (52.1%)	51 (42.1%)	7 (5.8%)	0 (0.0%)	121 (100.0%)
40-50	30 (26.3%)	65 (57.0%)	12 (10.5%)	7 (6.1%)	114 (100.0%)
50 &above	34 (30.9%)	54 (49.1%)	13 (11.8%)	9 (8.2%)	110 (100.0%)
Total	192	201	36	21	450
$\chi^2 = 47.311^{**}$ df = 9; P = 0.000					

** Significant at 0.05 levels
Source: Survey data

The Table 4.14 shows that, among the investors in the age group below 30, 65 investors (61.9 percent) are investing less than 25percent of their total investments in mutual funds and 29.5 percent investors are investing in the range of 26-56 percent of their total investments in mutual funds. In the age group of 30-40, about 52.1 percent are investing less than 25 percent in mutual funds, 42.1percent are investing 26-50 percent in mutual funds, 5.8 percent are investing 51-75 percent and no one makes investments in mutual funds above 76 percent of their investments in mutual funds.

In the age group of 40-50, 26.3 percent are investing less than 25 percent and 57 percent is investing 26-50 percent, 10.5 percent are investing 51-75 percent and 6.1 percent are investing above 76 percent of their total investments in mutual funds. Among the respondents in the age group of 50 and above 30.9 percent are investing only less than 25 percent in mutual funds and 49.1 percent are investing 26-50 percent, 11.8 percent are investing 51 –75 percent and remaining 8.2 percent are investing more than 75 percent of their total investments in mutual funds. It is clear from the table that most of the investors invest in mutual funds in the range of 26-50 percent of their total income.

H₀ = There is no association between the investments in mutual funds and the age of the respondents

The result shows that p-value is 0.000 and it is less than 0.05 and the hypothesis was rejected. Hence the study was concluded that there is an association between the investments in mutual fund and their age.

Table 4.15

Investments in Mutual Funds and Educational Qualification

Educational Qualification	Investments in MF				Total
	25% and less than 25%	26%-50%	51%-75%	76% and above	
SSLC	4 (19.0%)	17 (81.0%)	0 (0.0%)	0 (0.0%)	21 (100.0%)
Higher Secondary	42 (45.2%)	27 (29.0%)	15 (16.1%)	9 (9.7%)	93 (100.0%)
Graduate	80 (44.2%)	90 (49.7%)	7 (3.9%)	4 (2.2%)	181 (100.0%)
Post Graduate	37 (42.0%)	41 (46.6%)	8 (9.1%)	2 (2.3%)	88 (100.0%)
Professional	29 (43.3%)	26 (38.8%)	6 (9.0%)	6 (9.0%)	67 (100.0%)
Total	192 (42.7%)	201 (44.7%)	36 (8.0%)	21 (4.7%)	450 (100.0%)

$\chi^2 = 41.378^a$ ** df = 12; P = 0.000

** Significant at 0.05 levels

Source: Survey data

It is clear from the table that, the respondents have SSLC educational qualification, their preference to a mutual fund is comparatively low and among them 100 percent respondents are investing only less than 50 of their total investment to mutual funds. In the case of respondents have qualification of higher secondary, 42(45.2 percent) respondents were investing in mutual funds only less than 25 percent and 29 percent respondents are investing in mutual funds in the range of 26 to 50 percent of total investments in mutual funds, 16.1 percent respondents were investing in mutual funds in the range of 51 to 75 percent and remaining 9.7 percent respondents were investing more than 76 percent of their total investment in mutual funds. In the case of graduates, 55.8 percent were investing more than 25 percent of their total investment in mutual funds. In the case of postgraduates, 58 percent were investing more than 25 percent of their total investment in mutual funds. In the case of professional, 56.8 percent were investing more than 25 percent of their total investment in mutual funds.

H₀ =There is no association between the investments in mutual funds and the educational qualification of the respondents

The chi-square test reveals that the p-value ($p=0.000$) is more than the significant value (0.05), and the null hypothesis is to be rejected at five percent level of significance. Thus, it is to be concluded that there is an association between the investments in mutual funds and the educational qualification of the respondents.

Table 4.16
Investments in Mutual Funds and Occupation

Occupation	Investments in MF				
	25% and less than 25%	26%-50%	51%-75%	76% and above	Total
Government Employee	49 (52.1%)	38 (40.4%)	3 (3.2%)	4 (4.3%)	94 (100.0%)
Private Sector	51 (47.2%)	55 (50.9%)	0 (0.0%)	2 (1.9%)	108 (100.0%)
Business	36 (41.9%)	39 (45.3%)	11 (12.8%)	0 (0.0%)	86 (100.0%)
Professional	20 (28.6%)	29 (41.4%)	6 (8.6%)	15 (21.4%)	70 (100.0%)
Self Employed	27 (55.1%)	22 (44.9%)	0 (0.0%)	0 (0.0%)	49 (100.0%)
Retired	5 (20.8%)	7 (29.2%)	12 (50.0%)	0 (0.0%)	24 (100.0%)
NRI	4 (21.1%)	11 (57.9%)	4 (20.0%)	0 (0.0%)	19 (100.0%)
Total	192 (42.7%)	201 (44.7%)	36 (8.0%)	21 (4.7%)	450 (100.0%)
$\chi^2 = 142.900^{**}$ df = 18; P = 0.000					

** Significant at 0.05 levels

Source: Survey data

The table shows that, in the case of government employees, 52.1 percent are investing less than 25 percent of their total investments in mutual funds, 40.4 percent are investing in the range of 26-50 percent, 3.2 percent are investing in the range of 51-75 percent and remaining 4.3 percent are investing more than 75 percent of their total investments in mutual funds. In the case of private sector employees, only 1.9 percent are investing more than 75 percent in mutual funds, 50.9 percent makes investments in mutual funds in the range of 26-50 percent and 47.2 percent are investing only less than 25 percent in mutual funds.

Out of 86 business people surveyed, 36 (41.9 percent) are making less than 25 percent of their total investments in mutual funds, 39 (45.3 percent) makes investments in mutual funds in the range of 26-50 and 11 (12.8 percent) are making investments in the range within 51-75 percent of their total investments in mutual funds. In the case of professionals, 30 percent of the respondents make more than 50 percent of their total investments in mutual funds. Self-employed people are making investment less than 50 percent of their total investments in mutual funds. Most of the retired people and NRIs make less than 50 of their total investments in mutual funds.

H₀ = There is no association between the investments in mutual funds and the occupation of the respondents

The Chi-Square test of independence reveals a chi-square Value of 142.9 and a P value of 0.000. Based on these values, the null hypothesis, there is no significant association between the investments in mutual funds and the occupation of the respondents, is rejected and the alternative hypothesis, there is an association between the investments in mutual funds and the occupation of the respondents is accepted. Hence the study was concluded that there is an association between the investments in mutual fund and their occupation.

Table 4.17**Investments in Mutual Funds and Monthly Income**

Monthly income	Investments in MF				
	25% and less than 25%	26%-50%	51%-75%	76% and above	Total
10001-20000	87 (66.4%)	36 (27.5%)	2 (1.5%)	6 (4.6%)	131 (100.0%)
20001-30000	80 (47.3%)	76 (45.0%)	9 (5.3%)	4 (2.4%)	169 (100.0%)
30001-40000	24 (26.7%)	41 (45.6%)	20 (22.2%)	5 (5.6%)	90 (100.0%)
40001-50000	0 (0.0%)	26 (81.3%)	0 (0.0%)	6 (18.8%)	32 (100.0%)
above 50001	1 (3.6%)	22 (78.6%)	5 (17.9%)	0 (0.0%)	28 (100.0%)
Total	192 (42.7%)	201 (44.7%)	36 (8.0%)	21 (4.7%)	450 (100.0%)
$\chi^2 = 126.802^{**}$ df = 12; P = 0.000					

** Significant at 0.05 levels

Source: Survey data

From Table 4.8, it is clear that, among the investors in the monthly income group of Rs.10001-20000, 66.4 percent are investing less than 25 percent, 27.5 percent are investing 26 - 50 percent 1.5 percent are investing 50 - 75 percent, and remaining 4.6 percent are investing more than 76 percent of their investments in mutual funds. In the monthly income group of Rs. 20001-30000, 47.3percent are investing less than 25 percent and 45 percent is investing 26-50 percent, and 5.3 percent are investing 51-75 percent and remaining 2.4 percent are investing more than 75 percent their investments in mutual funds. In the monthly income of Rs.

30001-40000, 26.7 percent are investing less than 25 percent, 45.6 percent are investing 26-50 percent 22.2 percent are investing 51-75 percent, and 5.6 percent are investing 76-100 percent of their total investments in mutual funds.

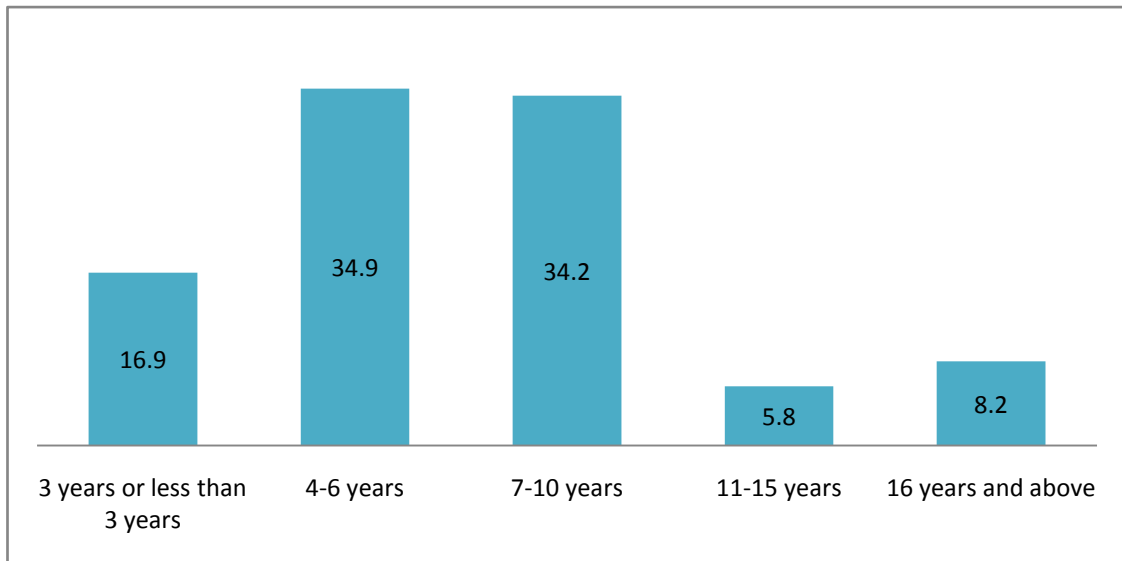
In the monthly income group of Rs. 40001-50000, 81.3 percent are investing 26 – 50 percent and remaining 18.8 percent of the investors are investing more than 75percent of their investment in mutual funds. In the monthly income group of above Rs. 50001, 3.6 percent of the investors are investing less than 25 percent, 78.6 percent are investing 26 – 50 percent and 17.9 percent are investing 51 - 75 percent of their investment in mutual funds. From the Table, it is clear that majority of investors are investing in the range of 26-50 percent of their funds in mutual funds.

To test whether there is no significant association between the investment in mutual funds and the monthly income of the respondents. Chi-square test was conducted and the result shows that $P=0.000$, $P<0.05$, the hypothesis was rejected. The result is significant.

4.4. Years of Experience in Mutual Funds

Experience in the field of investment is a vital factor for successful investment. Year of experience in the investment field changes the attitude and behavior of investors and thus it will lead to extent of diversification. Period of investment is varying for every investor and some investors have more years of experience in mutual fund and while others may have fewer years of experience. Long years of experience help the investor to understand the complexity of the financial market and adopt suitable strategies accordingly. Actually, a mutual fund is more beneficial to the investors who have interest in the long period of investment. The investors were asked to choose their year of experience in a mutual fund from the category of 3 years or less, 4-6 years, 7-10 years, 11-15 years and 16 years and above. The following figure exhibits the years of experience in a mutual fund.

Figure 4.2
Years of Experience in Mutual Funds



Source: Survey data

The figure 4.2 shows that the years of experience in a mutual fund. The important years of experience among the investors are 4-6 years and 7-10 years which constitute 34.9 and 34.2 percent respectively. Seventeen percent investors are having the experience of 3 years or less than 3 years and remaining 14 percent investors are preferring mutual fund for their investment for more than 10 years. To test whether there is any significant association between the gender and their year of experience in mutual fund and also the monthly income of the respondents, the cross tabulation is necessary to check the significance. So the following hypotheses were formulated and tested.

Ho: There is no significant association between the years of experience in mutual fund and gender

Ho: There is no significant association between the years of experience in mutual fund and monthly income of the respondents.

Table 4.18
Years of Experience in Mutual Funds and Gender Wise Analysis

Gender	Years of Experience in MF					Total
	3 years or less than 3 years	4-6 years	7-10 years	11-15 years	16 years and above	
Male	60 (17.1%)	112 (31.9%)	116 (33.0%)	26 (7.4%)	37 (10.5%)	351 (100.0%)
Female	16 (16.2%)	45 (45.5%)	38 (38.4%)	0 (0.0%)	0 (0.0%)	99 (100.0%)
Total	76 (16.9%)	157 (34.9%)	154 (34.2%)	26 (5.8%)	37 (8.2%)	450 (100.0%)
$\chi^2 = 22.512^{**}$ df = 4; P = 0.000						

** Significant at 0.05 levels

Source: Survey data

The table 4.18 shows that out of 351 males, 60 respondents (17.1) percent are investing mutual funds in the last three years and 31.9 percent investors preferring mutual funds for last 6 years, 33 percent respondents choose MF for last 7-10 years and remaining 17.9 percent are having the experience of more than 10 years. In the case of female respondents, their year of experience is comparatively low to male respondents. All of the female investors have experience of fewer than 7 years.

The Chi-Square test of independence reveals a chi-square Value of 22.512 and a P value of 0.000. Based on these values, the null hypothesis, there is no significant association between the years of experience in mutual funds and the gender of the respondents, is rejected and the alternative hypothesis, there is an association between the years of experience in mutual funds and the gender of the respondents is accepted. Hence, it can be concluded that there is an association between the years of experience in mutual funds and the gender of the respondents.

Table 4.19**Years of Experience in Mutual Funds and Income Wise Analysis**

Monthly Income	Years of Experience in MF					Total
	3 year and less than 3 year	4-6 years	7-10 years	11-15 years	16 years and above	
10001-20000	61 (46.6%)	29 (22.1%)	41 (31.3%)	0 (0.0%)	0 (0.0%)	131 (100.0%)
20001-30000	12 (7.1%)	79 (46.7%)	47 (27.8%)	16 (9.5%)	15 (8.9%)	169 (100.0%)
30001-40000	2 (2.2%)	25 (27.8%)	51 (56.7%)	0 (0.0%)	12 (13.3%)	90 (100.0%)
40001-50000	0 (0.0%)	16 (50.0%)	5 (15.6%)	4 (12.5%)	7 (21.9%)	32 (100.0%)
above 50001	1 (3.6%)	8 (28.6%)	10 (35.7%)	6 (21.4%)	3 (10.7%)	28 (100.0%)
Total	76 (16.9%)	157 (34.9%)	154 (34.2%)	26 (5.8%)	37 (8.2%)	450 (100.0%)
$\chi^2 = 185.505^{**}$ df = 16; P = 0.000						

** Significant at 0.05 levels

Source: Survey data

The table 4.19 depicts the cross-tabulation of years of experience in mutual funds and the monthly income of the respondents. It is clear from the table that the monthly income range of Rs. 10001-20000, 46.6 percent are having experience of mutual fund investment only less than 3 years, 22.1 percent having 4-7 years experience and remaining 31.3 percent are having the experience of 10 years. In the case of monthly income of Rs. 20001-30000, 7.1 percent had less than 4 years

experience, 46.7 percent are having experience of 4-7 years, 27.8 percent having 7-10 years experience and remaining 18.4 percent are having more than 10 years experience in the investment of mutual funds.

In the case of income range of Rs. 30001-40000, 2.2 percent are having less than 4 years experience, 27.8 percent have 4-7 years experience, and 56.7 percent are having 7-10 years and remaining 13.3 percent having experience of more than 15 years. In the case of income range of Rs. 40001-50000, 50 percent are having less than 7 years experience and 15.6 percent have 7-10 years experience, 12.5 percent are having 11-15 years and remaining 21.9 percent having experience of more than 15 years. In the case of income range of above Rs. 50001, 3.6 percent are having less than 4 years experience and 28.6 percent have 4-7 years experience, 35.7 percent are having 7-10 years, 21.4 percent having 11-15 years experience and remaining 10.7 percent having experience of more than 15 years in mutual fund investment.

To test whether there is any significant association between the years of experience and the monthly income of the respondent. Chi-square test was employed. The result shows that $p=0.000$, $p<0.05$, the hypothesis was rejected. The result is significant.

4.5. Investment Objectives of Mutual Fund Investors

Based on the previous review of the literature and from the pilot study, the objectives of people's savings were identified to six major objectives, namely house construction, children's education, meet the contingencies, and provide for retirement, tax deduction and purchase of the asset. The respondents were asked to rank these objectives as one, two, three etc based on their order of importance they had given at the time of investment are made. The ranks given them were analyzed with the help of mean scores and standard deviation and were assigned ranks to these objectives. The result presented in the table 4.20

Table 4.20
Investment Objectives of Respondents

Investment Objectives	Mean Score	Std. Deviation	Rank
House Construction	4.3111	1.74451	1
Meet Contingency	4.2511	1.34365	2
Children Education	3.6911	1.55527	3
Purchase of Asset	3.0422	1.72638	4
Provide Retirement	2.9533	1.37915	5
Tax Deduction	2.7511	1.74813	6

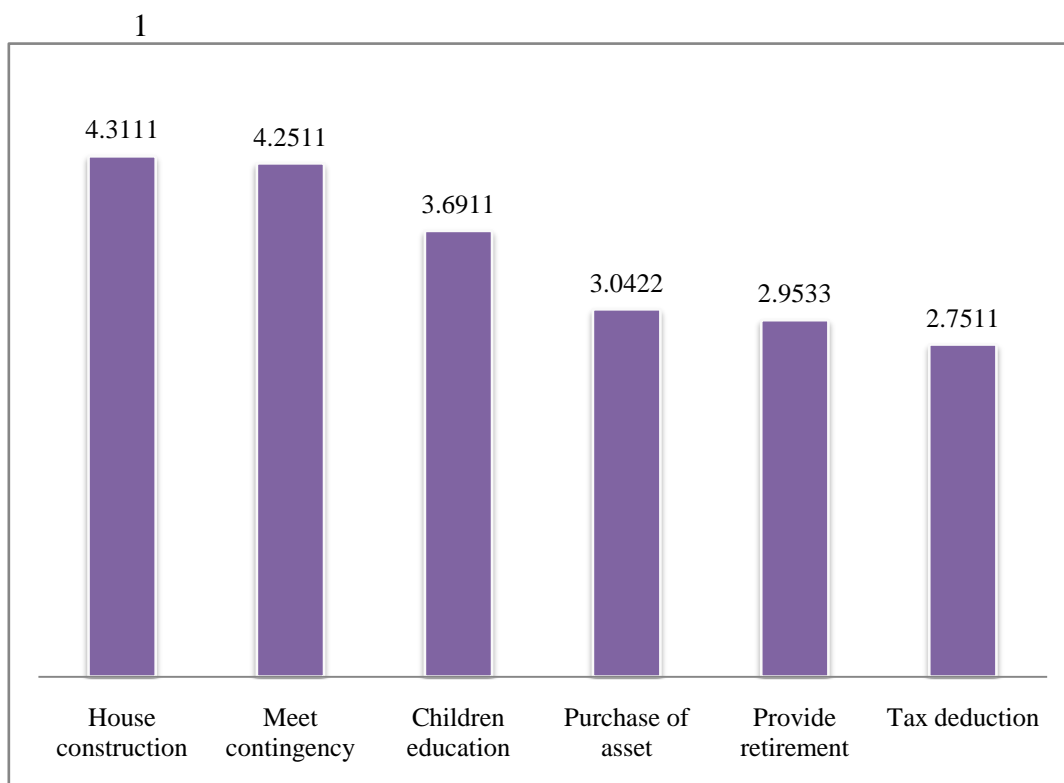
Source: Survey data

The table 4.20 and figure 4.3 shows that the respondent's important objective of the investment is house construction; the mean score of this objective is 4.31 and other objectives also ranked based on their mean scores. The second objective of investments is meeting the contingencies (4.25). Children's education and purchase of asset ranked as the third and fourth objectives with mean scores of 3.69 and 3.04 respectively. The fifth and sixth objectives ranked by the respondents are for providing retirement (2.95) and tax benefits (2.75) respectively.

Figure 4.3 depicts the diagrammatic presentation of mean score ranking of investment objectives of mutual fund investors.

Figure 4.3

Mean Score Ranking of Investment Objectives



Source: Survey data

In order to analyze the investment objectives of mutual fund investors, mean score ranking of objectives and its association with the demographic profile of investors were tested to understand the behavior of mutual fund investors. The following table exhibits the result.

Table4.21**Mean Scores of Investment Objectives and the Demographic Features of Respondents**

Investment objectives v/s demographic variables		House construction	Children education	Meet contingency	Provide retirement	Tax deduction	Purchase of asset
Region	North	4.0470	3.4027	4.5705	3.1007	2.9799	2.8993
	Central	4.5467	3.8800	4.0400	2.8067	2.6200	3.1067
	South	4.3377	3.7881	4.1457	2.9536	2.6556	3.1192
Gender	Male	4.3789	3.5641	4.3447	2.9202	2.6239	3.1681
	female	4.0707	4.1414	3.9192	3.0707	3.2020	2.5960
Marital status	Married	4.3639	4.0372	3.8968	2.9456	3.0115	2.7450
	Unmarried	4.1287	2.4950	5.4752	2.9802	1.8515	4.0693
Age category	Below 30	4.4190	3.0000	4.9524	2.6762	2.1048	3.8476
	30-40	4.6529	4.1488	3.9256	3.0165	2.9669	2.2893
	40-50	4.8333	4.4123	3.5000	2.9737	2.6228	2.6579
	50 and above	3.2909	3.1000	4.7182	3.1273	3.2636	3.5000
Educational qualification	Sslc	5.0952	4.7619	3.6667	2.7619	1.5714	3.1429
	Higher Secondary	4.5376	3.4839	4.6452	3.5161	1.9892	2.8280
	Graduate	4.2210	3.7072	4.1878	2.6133	3.0939	3.1768
	Post Graduate	4.5000	3.7500	3.8864	3.2159	3.3182	2.3295
	Professional	3.7463	3.5224	4.5373	2.8060	2.5075	3.8806
Monthly income	10001-20000	4.6794	3.6565	4.3130	3.2214	2.2901	2.8397
	20001-30000	4.4615	3.4793	4.4852	2.5740	2.9645	3.0355
	30001-40000	4.4556	4.2667	3.9333	2.6778	2.5556	3.1111
	40001-50000	3.2500	3.8750	4.0625	3.4375	3.3125	3.0625
	above 50001	2.4286	3.0714	3.7857	4.3214	3.6071	3.7857
Occupation	Govt Employee	3.6064	3.4681	4.1702	3.1277	4.4362	2.1915
	Private Sector	5.5741	4.4630	3.7500	2.6574	1.9907	2.5648
	Business	4.0698	3.1279	4.8605	3.0465	2.1163	3.7791
	Professional	3.9714	3.5571	4.3714	3.1286	2.4571	3.5143
	Self Employed	3.7551	3.2857	4.7347	2.8980	3.0816	3.2449
	Retired	3.3750	3.2917	3.9583	3.2500	2.7917	4.3333
	NRI	5.5789	5.0000	3.4211	2.4737	1.7895	2.7368

Source: Survey data

The table 4.21 reveals that the respondents from north region attach more importance to meet the contingencies and investors from central and south region gives more importance to house construction. In the case of gender wise analysis male respondents give more importance to house construction as their primary objectives of investment and meeting contingency was the second objective. But in the case of female respondents, they give more importance to children's education following house construction. It is observed that married investors attach more importance to house construction whereas unmarried investors attach more importance to meet the contingencies.

The mean score imparts that the investor coming under the age group of below 30 attach more importance to meet contingencies and investor's with age group of 30-40 and 40-50 attach more importance to house construction. While the investors' having more than 50 years has given more importance to meet the contingencies.

It has been found that the investors have educational qualification of SSLC, graduation and Post graduation attach more importance to house construction but in the case of educational qualification of higher secondary and professional attach more importance to provide for contingencies. It is clear from the table that investors have monthly income group of Rs.10001-20000 and monthly income group of Rs. 30001-40000 attach more importance to house construction. In the case of monthly income group of Rs. 20001-30000 and Rs. 40001-50000 attach more importance for meeting contingencies. While in the case of a high-income group, they attach more importance to retirement benefits. It is evident from the table that government employees attach more importance to a tax deduction and the investors working in private sector attach more importance to meet contingencies. Business people and self-employed respondents also attach more importance to meet contingencies. Retired people attach more importance to purchase of asset and NRI attach more importance to house construction.

ANOVA has been applied to test the significant difference in the mean score of different investment objectives of investors based on their demographic profiles (Table 4.22).

Ho: There is no significant difference in the investment objectives of mutual fund investors and their demographic features

Table 4.22
ANOVA-Investment Objectives with Demographic Features

Investment Objectives v/s Demographic Variables	F value (p-value)					
	House Construction	Children Education	Meet Contingency	Provide Retirement	Tax Deduction	Purchase of Asset
Region	3.122 (.045)	4.015 (.019)	6.690 (.001)	1.704 (.183)	1.931 (.146)	.764 (.466)
Gender	2.726 (.099)	.889 (.346)	.159 (.691)	.315 (.575)	17.888 (.000)	.487 (.486)
Marital Status	37.702 (.000)	2.052 (.153)	29.499 (.000)	3.388 (.066)	62.915 (.000)	31.407 (.000)
Age Category	19.847 (.000)	28.211 (.000)	34.524 (.000)	9.238 (.099)	9.238 (.000)	22.602 (.000)
Educational Qualification	3.673 (.006)	3.196 (.013)	5.704 (.000)	8.208 (.000)	12.315 (.000)	8.941 (.000)
Monthly income	14.622 (.000)	5.300 (.000)	3.694 (.006)	14.834 (.000)	5.943 (.000)	1.799 (.128)
Occupation	20.660 (.000)	11.104 (.000)	8.910 (.000)	1.938 (.073)	29.637 (.000)	12.877 (.000)

Significant at 0.05 levels

Source: Survey data

To test the significant difference of region and investment objectives, ANOVA was conducted. The result shows that no significant difference among region and investment objectives in three cases and it is significant in three investment objectives such as house construction, children's education and for

meeting contingencies. In the case of gender analysis, there is significant at the objective of tax deduction and in the case of other objectives; there is no significant difference in the investment objectives and gender. The ANOVA reveals that there is a significant difference in the level of importance assumed on various objectives such as house construction, meet contingencies, tax deductions, and purchase of asset between the different classes of investors based on their marital status. Therefore, the null hypothesis is rejected (significant) in four cases and for remaining two cases (children's education, retirement benefit), the hypothesis is accepted (not significant).

The table 4.22 also reveals that there is a significant difference in the level of importance assumed on various objectives such as house construction, children's education, meet contingencies, tax deductions, and purchase of asset between the different classes of investors based on their age. Therefore, the null hypothesis is rejected (significant) in five cases and for remaining one case (retirement benefit), the hypothesis is accepted (not significant). By analyzing the educational qualification and investment objectives of respondent shows that there is a significant difference assumed on various investment objectives such as house construction, children's education, meet contingencies, provide for retirement, tax deduction and purchase of asset between the different classes of investors based on their educational qualification.

The result indicates that there is a significant difference in the level of importance assumed on various objectives such as house construction, children's education, meet contingencies, provide for retirement, and tax deductions between the different classes of investors based on their monthly income and the result is not significant in the case of purchase of assets. The occupational wise difference indicates that the null hypothesis is rejected in five cases (significant) and the remaining one case (retirement benefit), the hypothesis is accepted.

4.6. Types of Mutual Fund

In the financial market, one can find a large number of investors with different needs, objectives, and risk-bearing capacities. So it is very difficult to design one fund to satisfy all the requirements of investors. It completely depends on the discretion of the investor to choose any one of them depending on his requirement and his risk taking capacity. According to the SEBI regulations, a mutual fund is free to design and offer various schemes to suit the needs of various types of investors. The objectives of MF are to give continuous liquidity and higher yield with a degree of safety and flexibility of investors.

4.6.1. Mutual Fund Schemes on the Basis of Maturity Period

In order to assess the fund preference of mutual fund investors, funds are classified on the basis of maturity and investment objectives. On the basis of maturity period, Mutual funds are classified into three; open-ended, closed-ended and interval schemes.

The open-ended scheme means schemes do not have a fixed maturity period and it is always available to investors. The close-ended scheme means schemes have a specified maturity period and it is available to the investors only at the time of initial issue. Interval scheme means which is kept open for a certain period and after that, it is kept closed. To understand the investors' preference towards various mutual fund schemes, the investors were asked to choose the scheme among these three.

Table 4.23

Investor's Preference on Mutual Fund Scheme Based on Maturity Period

Mutual Fund	Frequency	Percent
Open-ended	310	68.9
Closed-ended	51	11.3
Interval	89	19.8
Total	450	100.0

Source: Survey data

From the table 4.23 discloses that, out of 450 respondents, 310 (68.9 percent) respondents choose open-ended schemes for investing in the mutual fund and 19.8 percent to have a preference to interval schemes and remaining 11.3 percent to have a preference towards closed-ended schemes. Here the researcher made an attempt to test the association between the choice of a mutual fund based on maturity period and the gender, educational qualification and monthly income of the respondents.

Table 4.24

Results of Chi-Square Tests: Mutual Fund Schemes and Gender, Monthly Income and Educational Qualification

Demographic Profile	Chi square value	P value
Gender	5.728**	.057
Monthly Income	18.576**	.017
Educational Qualification	30.074**	.000

** Significant at 0.05 levels

Source: Survey data

The above table depicts the value of chi-square to test the association between type of mutual fund and gender, monthly income and educational qualification of the respondent.

Chi-square test was conducted to test the association between the selection of mutual fund schemes on the basis of maturity and gender. The p-value is 0.057, $p > 0.05$ and the null hypothesis was accepted. Hence we can conclude that there is no association between mutual fund scheme preference on the basis of maturity and gender of the respondents. But in the case of monthly income and educational qualification of respondents, p values are 0.017 and 0.000 respectively, $p < 0.05$, so the hypotheses were rejected. Hence it is concluded that there is an association between the preference of mutual fund on the basis of maturity period and monthly income and educational qualification of the respondents.

Table 4.25**Investment Objectives Vs Fund Preference on the Basis of Maturity Period**

Investment Objectives	Open Ended	Close Ended	Interval	Total
House Construction	139 (73.5%)	36 (19.0%)	14 (7.4%)	189 (100.0%)
Children's Education	18 (56.3%)	0 (0.0%)	14 (43.8%)	32 (100.0%)
Meet Contingencies	70 (65.4%)	9 (8.4%)	28 (26.2%)	107 (100.0%)
Provide for Retirement	15 (100.0%)	0 (0.0%)	0 (0.0%)	15 (100.0%)
Tax Deduction	35 (56.5%)	0 (0.0%)	27 (43.5%)	62 (100.0%)
Purchase of Asset	33 (73.3%)	6 (13.3%)	6 (13.3%)	45 (100.0%)
Total	310 (68.9%)	51 (11.3%)	89 (19.8%)	450 (100.0%)
$\chi^2 = 76.150$ ** df = 10; P = 0.000				

** Significant at 0.05 levels

Source: Survey data

The chi-square value is 76.150 at 10 degrees of freedom and p-value is 0.000 and it is less than 0.05 at five percent level of significance. Therefore, there is a significant association between the order of investment objectives and fund preference on the basis of the maturity period.

4.6.2. Mutual Fund Scheme Preference on the Basis of Investment Objectives

In order to understand the order of preference of mutual fund schemes of investors on the basis of investment objectives, a mutual fund is classified into various schemes like equity schemes, income schemes, interval schemes, tax saving schemes, diversified schemes, fund of fund schemes etc. The investors were asked to

rank the schemes according to their order of preference. The following table shows the assigned rank of various schemes.

Table 4.26
Mutual Fund Scheme Preference of Investors on the Basis of Investment Objectives

Schemes	Highest Frequency	Weighted Average Score	Rank
Growth Fund/Equity Fund	1	8.36	1
Income Schemes	4	6.62	2
Tax Saving Scheme	4	6.34	3
Index Scheme	6	5.88	4
Money Market/Liquid Scheme	5	4.77	6
Interval Scheme	5	5.14	5
Gold ETF	7	2.73	8
Fund of Fund	9	3.38	7
Diversified Fund	8	1.81	9

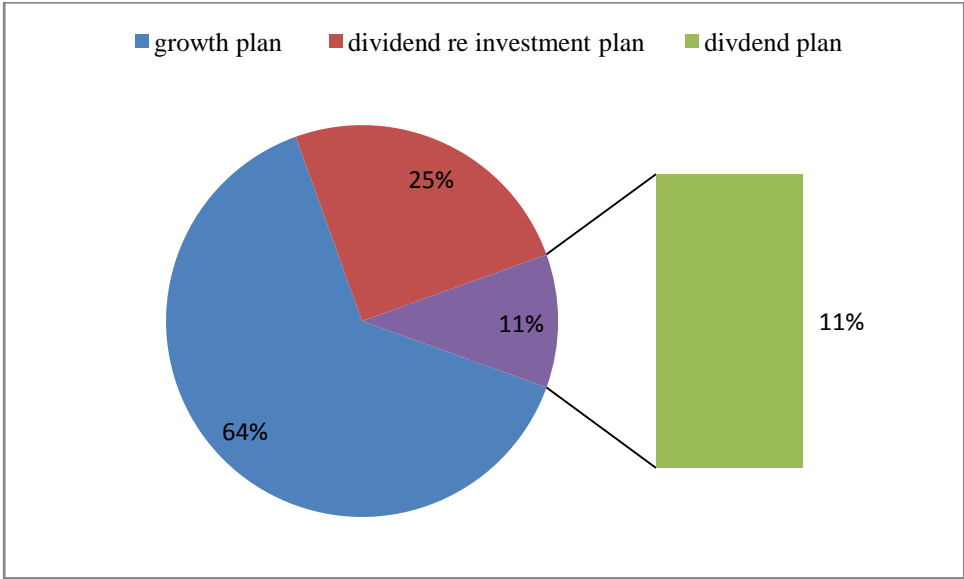
Source: Survey data

The table reveals that the most preferred mutual fund scheme is equity fund with a respective weighted average score of 8.36. The second rank goes to income schemes (6.62) and the third rank goes to tax saving schemes with a weighted average score of 6.34. The least preferred mutual fund scheme among the respondents is a diversified fund with a weighted average score of 1.81. It is clear from the table that investors choose the fund based on the investment objectives of capital appreciation and regular income. The money market mutual fund is an excellent option for small investors, who cannot operate in the money market otherwise. The table 4.26 exhibits that the investors preference to money market mutual fund is low with a weighted average score of 4.77.

4.7. Investment Choice of Mutual Fund Investors

The investment choices available to the investors are dividend plan, growth plan, and dividend reinvestment plan. Based on their investment objectives investors can choose the option they want to follow. The following table depicts the investment choice of mutual fund investors.

Figure 4.4
Investment Choices of Respondents



Source: Survey data

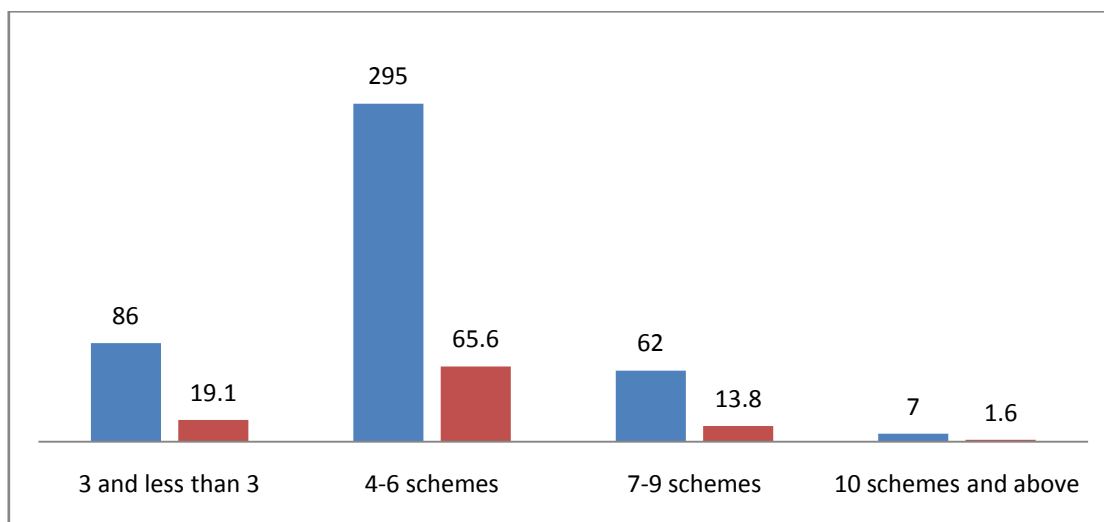
It is evident from the figure that out of 450 respondents, 286 (63.6 percent) respondents were preferring growth option in mutual fund followed by dividend reinvestment option (25.1 percent). Only 11.3 percent were choosing dividend plan under the mutual fund.

4.8. Number of Mutual Fund Schemes in the Portfolio

A number of mutual fund schemes mean the total number of mutual fund schemes selected and invested by the investor under one AMC or different AMCs. There are various schemes with different risk-return characteristics are available in

the market. Sectoral funds, money market mutual fund, index funds etc. are the examples of different types of mutual fund schemes. The following figure depicts the number of schemes hold by the investor.

Figure 4.5
Investor's Preference towards Number of Schemes



Source: Survey data

It is clear from the figure that 65.6 percent investors are choosing 4-6 different schemes in their portfolio and 19.1 percent respondents choose only less than 3 schemes for their investment. Out of 450 investors, 62 respondents prefer 7-9 schemes in their portfolio to diversify the risk and remaining 1.6 percent investors choose more than 10 schemes.

4.9. Association between the Level of Preference towards Mutual Fund and Year of Experience in Mutual Funds

The level of preference was determined based on their investment decisions in a mutual fund. Levels of preference towards mutual fund have been classified into three group; low preference, medium preference, and high preference. To test the association between the level of preference and year of experience in a mutual fund, chi-square test has been done. The following table depicts the association between

the level of preference towards mutual fund and years of experience in a mutual fund.

Table 4.27

Level of Preference towards Mutual Fund and Years of Experience in Mutual Funds

Duration of investment in mutual fund	Level of preference			Total
	Low	Medium	High	
3 year or less than 3 year	68 (89.5%)	8 (10.5%)	0 (0.0%)	76 (100.0%)
4-6 years	76 (48.4%)	62 (39.5%)	19 (12.1%)	157 (100.0%)
7-10 years	37 (24.0%)	88 (57.1%)	29 (18.8%)	154 (100.0%)
11-15 years	0 (0.0%)	26 (100.0%)	0 (0.0%)	26 (100.0%)
16 years and above	11 (29.7%)	17 (45.9%)	9 (24.3%)	37 (100.0%)
Total	192 (42.7%)	201 (44.7%)	57 (12.7%)	450 (100.0%)
$\chi^2 = 130.850^{**}$ df = 8; P = 0.000				

** Significant at 0.05 levels

Source: Survey data

Ho: There is no association between the level of preference towards mutual fund products and years of experience in MF

The table 4.27 shows that 89.5 percent respondents have only three or less than 3 years experience in mutual fund and they have a low preference to mutual fund and remaining 10.5 percent have a medium preference to a mutual fund. The respondent have 4-6 year of experience in mutual fund shows that 48.4 percent have a low preference, 39.5 percent have a medium preference to mutual fund and 12.1 percent have a high preference to mutual funds. In the case of investors have

experience of 7-10 years, 57.1 percent have a medium preference to mutual fund products, 24 percent have a low preference and 18.8 have a high preference for mutual funds. Among investors have experience of 11-15 years attach medium preference to a mutual fund. The respondent has above 15 years of experience in mutual fund shows that 29.7 percent have a low preference, 45.9 percent have a medium preference to mutual fund and 24.3 percent have a high preference to mutual funds.

To test whether there exists an association between level of preference and duration of investments in mutual funds, Pearson chi-square test was conducted. The result shows that $p=0.000$, $p<0.05$ and the null hypothesis was rejected. Thus it is to be concluded that there is an association between the level of preference towards mutual fund products and years of experience in mutual funds.

Table 4.28
Level of Preference towards Mutual Fund and Type of Mutual Fund

Type of Mutual fund	Level of preference			Total
	Low	Medium	High	
Open ended	135 (43.5%)	137 (44.2%)	38 (12.3%)	310 (100.0%)
Closed-ended	6 (11.8%)	31 (60.8%)	14 (27.5%)	51 (100.0%)
Interval schemes	51 (57.3%)	33 (37.1%)	5 (5.6%)	89 (100.0%)
Total	192 (42.7%)	201 (44.7%)	57 (12.7%)	450 (100.0%)
$\chi^2 = 32.401^{**}$ df = 4; P = 0.000				

** Significant at 0.05 levels

Source: Survey data

It is clear from the table 4.28 that, out of 450 respondents, 310 respondents prefer open-ended scheme and among them 43.5 percent respondents have a low

preference to mutual fund and 44.2 percent respondents having a moderate level of preference and remaining 12.3 percent respondents have a high level of preference. Among the respondents preferring close-ended scheme shows moderate (60.8 percent) level of preference to mutual fund products and 27.5 have a high preference for a mutual fund. Interval schemes are mainly chosen by the low preferred investors to mutual fund.

Chi-square test was conducted to study the independence of two variables namely the level of preference and selection of mutual fund. The Chi-square value is 32.401 at 5 percent level of significance. The p-value (0.000) and it is less than 0.05. Hence the hypothesis is rejected and we can conclude that there is an association between the level of preference and type of mutual fund preferred by respondents.

Table 4.29
Level of Preference of Mutual Fund and Investment Choice

Investment choice	Level of preference		
	Low	Medium	High
Dividend plan	33 (17.2%)	9 (4.5%)	9 (15.8%)
Growth plan	84 (43.8%)	164 (81.6%)	38 (66.7%)
Dividend reinvestment plan	75 (39.1%)	28 (13.9%)	10 (17.5%)
Total	192 (100.0%)	201 (100.0%)	57 (100.0%)
$\chi^2 = 63.554^{**}$ df = 4; P = 0.000			

** Significant at 0.05 levels

Source: Survey data

Table 4.29 reveals that out of 450 respondents, 192 respondent's preference to a mutual fund is low and among them 43.8 percent were preferring growth plan, 39.1 percent preferred dividend reinvestment plan and remaining 17.2 percent

attach their interest to dividend plan. In the case of medium preferred investors, 201 respondents are there, and among these group, 81.6 percent have a preference to the growth plan, 13.9 have a preference to dividend reinvestment plan and remaining 4.5 choose dividend option for their investment. Among high preferred mutual fund investors, 66.7 percent attach more importance to growth plan and 17.5 percent have preference over dividend reinvestment plan and remaining 15.8 have preference over dividend option.

H₀ = There is no association between the level of preference towards mutual fund investment choice in mutual fund

To test whether there exists any significant association between the level of preferences towards mutual fund and investment choice in mutual fund

Pearson chi-square test was conducted. The result shows that $p=0.000$ $p<0.05$ and the null hypothesis was rejected. Hence it is concluded that there is an association between the level of preferences towards mutual fund products and investment choice of mutual fund investors.

Table 4.30
Level of Preference of Mutual Fund and Number of Schemes

No of Schemes	Level of Preference		
	Low	Medium	High
3 and less than 3	66 (34.4%)	16 (8.0%)	4 (7.0%)
4-6 schemes	120 (62.5%)	142 (70.6%)	33 (57.9%)
7-9 schemes	4 (2.1%)	38 (18.9%)	20 (35.1%)
10 schemes and above	2 (1.0%)	5 (2.5%)	0 (0.0%)
Total	192 (100.0%)	201 (100.0%)	57 (100.0%)
$\chi^2 = 86.441^{**}$ df = 6; P = 0.000			

** Significant at 0.05 levels
Source: Survey data

It is clear from the table that among low preferred investors, 62.5 percent respondents choose 4-6 schemes under mutual fund investment and 34.4 percent respondents prefer only 3 and less than three schemes. Among the investors of medium preference to a mutual fund, 70.6 percent choose 4-6 schemes 18.9 percent to have an investment in 7-9 schemes. High preferred investors choose 4-6 schemes and 35.1 percent choose 7-9 schemes under their portfolio. Chi-square test was conducted to study the association between the level of preference and number of schemes. So the $p=0.000$, it is $p<0.05$ at 5 percent level of confidence, hence the null hypothesis was rejected and it is concluded that there is a significant association between a number of schemes and level of preference.

4.10. Preference on Asset Management Companies

AMC is a company that pools money from the investors and invests it in the security market. Asset Management Companies employs a large number of professionals to meet the objective of investors by conducting various research activities. Mainly, there are five types of AMCs. the bank-sponsored joint venture and institution sponsored joint venture, Private Indian, private joint venture Indian and private joint venture foreign. The investors were asked to rate their preference on a Five-point Likert scale ranging from most preferred to least preferred.

Table 4.31
Investors Preference on Asset Management Companies

Type of AMC	Mean	Std. Deviation
Bank Sponsored	4.3022	.74154
Institution Sponsored	4.0333	.60895
Private Indian	3.9200	.76552
Private Joint Venture Indian	3.0244	.68508
Private Joint Venture Foreign	2.3756	.72119

Source: Survey data

From the above table, it is understood that the investors' first preference on AMC was bank sponsored joint venture followed by institution sponsored, Private Indian, private joint venture Indian and private joint venture predominantly foreign. To test whether there exists any significant difference between preferences on AMCs and gender. The cross-tabulation was conducted and the result was presented in the following table.

Table 4.32
Investors Preference on Asset Management Companies-Gender wise Analysis

Type of AMCs	Gender			
	Male		Female	
	Mean	Rank	Mean	Rank
Bank Sponsored	4.2393	1	4.5253	1
Institution Sponsored	4.0228	2	4.0707	2
Private Indian	3.0513	4	4.1111	3
Private Joint Venture Indian	3.8661	3	2.9293	4
Private Joint Venture Foreign	2.4274	5	2.1919	5

Source: Survey data

It is concluded that the first preference for Asset Management Companies for both male and female was bank sponsored mutual fund. The second preference on AMCs was also the same as the institution sponsored mutual fund. But the third preference was different in the case of both the gender, In the case of a male, the third preference was private joint venture Indian and female was private Indian MF. According to the opinion of all the respondents, they give the least preference to private joint venture predominantly foreign.

In order to know the popularity of mutual fund organization among the respondents, they were asked to rank 1 for most preferred and 2 for next preferred and so on. To calculate the weighted average scores of each organization, weights 10 to 1 were assigned to rank 1 to 10 respectively. Then the corresponding scores of

each organization were divided by a number of respondents to obtain a weighted average score. The following table represents the result.

Table 4.33
Popularity of Mutual Fund Organization among Respondents

Schemes	Highest Frequency	Weighted Average Score	Rank
HDFC Mutual fund	4	7.26	1
ICICI Prudential Mutual fund	3	7.12	2
Reliance Mutual fund	2	6.92	3
Birla Sun Life Mutual fund	6	5.86	4
SBI Mutual fund	1	5.24	5
UTI Mutual fund	5	4.16	6
Kotak Mahindra Mutual fund	7	4.01	7
Franklin Templeton Mutual fund	8	3.05	8
LIC Mutual fund	9	1.80	9

Source: Survey data

It is clear from the table that HDFC mutual fund was the most popular and preferred mutual fund among the respondents studied with an average weighted score of 7.26 followed by ICICI Prudential mutual fund (7.12), Reliance mutual fund (6.92), Birla Sun Life mutual fund (5.86). The sixth rank goes to the public sector mutual fund of UTI Mutual fund (4.16). The least preferred mutual fund among the surveyed group was LIC mutual fund with weighted average scores of 1.80.

4.11. Perception of Investors towards Mutual Fund

A mutual fund is an investment vehicle for investors which enables the investors to participate and enjoys the benefit of the financial market. Mutual fund acts as an appropriate financial instrument with the advantages of professional management, diversification, and low cost. The fund mobilization by mutual funds

in India has been increased and AUM is reached to a Rs.1754619 crore. The fact that the money so invested comes out of the hard earnings of investors distinctively bring home the direct need of studying what the investors perceived about mutual funds. In this section, the researcher has been made an attempt to study the perception of investors towards MF. It includes the analysis of their characteristics preference, encouraging factors, discouraging factors, and their awareness towards Mutual funds.

4.11.1. Characteristics of Mutual Fund

A mutual fund provides various benefits to its investors and which channelize the savings of people to corporate securities in such a way that it offers steady return and capital appreciation at low risk. The important characteristics of mutual fund are safety and security (which manage the professional managers), return(income funds offer regular return to investors),capital appreciation(growth funds offer capital appreciation),stable growth, professional management (fund managers have extensive research facilities),diversification(mutual fund invests in the shares of different companies), liquidity(close ended schemes can easily be sold in the market), tax benefits(mutual fund offer tax concession under section 88 of income tax act),risk protection, transparency in operation, less procedure, affordability, less transaction cost(investor gets benefit of large scale economies and low operating costs),repurchase facility, quality of service, speculation and prestige image.

In this study, the investors were asked to rate their opinion on characteristics of a mutual fund on the five-point Likert scale. According to their opinion, mean and standard deviations were calculated. Based on the mean scores, ranks were assigned to each characteristic of a mutual fund. The following table depicts the result.

Table 4.34
Characteristics of Mutual Fund

Characteristics of mutual fund	Mean	Standard deviation	Rank
Safety and security	4.5022	.68795	1
Return	4.1933	.65423	2
Capital appreciation	4.1644	.61863	3
Stable growth	3.9622	.81516	4
Professional management	3.7200	.67193	5
Diversification	3.6911	.98549	6
Liquidity	3.6533	.75791	7
Tax benefit	3.5867	1.07525	8
Risk protection	3.5622	.96343	9
Transparency in operation	3.4333	.95150	10
Less procedure	3.1156	.75802	11
Affordability	3.0467	.82015	12
Less transaction cost	3.0410	.77442	13
Repurchase facility	3.0400	.83796	14
Quality of service	2.8733	.84392	15
Speculation	2.7600	1.04047	16
Prestige image	2.3867	1.06652	17

Source: Survey data

It is clear from the table that safety and security was the most influencing character of a mutual fund. The mean score of safety and security was 4.5022. The other five important characteristics of mutual fund preferred among the respondents were return (4.1933), capital appreciation (4.1644), stable growth (3.9622), professional management (3.7200) and diversification (3.6911). Prestige image (2.3867) and speculation (2.7600) are the least influencing characteristics of a mutual fund. The following table depicts the association between the level of preference and characteristics of a mutual fund.

Ho: There is no significant difference in the characteristics preference of mutual fund investors and their level of preferences

Table 4.35

Level of Preference and Characteristics of Mutual Fund

Characteristics	Level of Preference (Mean scores)			F value	P value
	Low	Medium	High		
Return	4.4010	4.0498	4.0000	18.318	.000
Liquidity	3.8906	3.4776	3.4737	17.630	.000
Safety and Security	4.3490	4.6119	4.6316	8.611	.000
Tax benefit	3.9427	3.3632	3.1754	20.707	.000
Diversification	3.7500	3.5572	3.9649	4.466	.012
Professional Management	3.6875	3.6716	4.0000	5.816	.003
Capital Appreciation	4.2656	4.0448	4.2456	7.002	.001
Less transaction cost	3.3958	2.7164	2.9825	45.497	.000
Risk protection	3.8698	3.3284	3.3509	18.401	.000
Less procedure	3.1875	3.0697	3.0351	1.558	.212
Repurchase facility	3.2031	3.0100	2.5965	12.345	.000
Transparency	3.6667	3.3980	2.7719	21.478	.000
Affordability	3.1875	2.8458	3.2807	11.715	.000
Prestige image	2.6458	2.2637	1.9474	12.444	.000
Stable growth	4.2813	3.6318	4.0526	36.563	.000
Speculation	3.0000	2.5871	2.5614	9.250	.000
Quality of service	3.2917	2.5672	2.5439	50.177	.000

Source: Survey data

Significant at 0.05 levels

The table revealed that return was the most important characteristics chosen by low preferred investors. The other important characteristics accepted among investors of low preference to mutual fund were safety and security, stable growth, capital appreciation and tax benefits. In the case of investors have a medium

preference, the first factor that influences the preference of mutual fund was safety and security (4.6119) followed by return, capital appreciation, professional management and stable growth. The least influencing character among medium preferred investors was prestige image (2.2637). Among the investors have a high preference for a mutual fund, the most influencing feature was safety and security(4.6316) followed by capital appreciation, stable growth, return and professional management.

To test the difference between characteristics of mutual fund and level of preference, ANOVA was conducted. The result shows that $p < 0.05$ in all characteristics except the characteristic of less procedure ($p > 0.05$). Hence the null hypothesis is rejected in the all characteristics except less procedure. There is a significant difference between the characteristics of mutual fund and their level of preference. In the case of the characteristic of less procedure, the result shows that there is no significant difference between the characteristic of mutual fund and level of preference.

4.11.2. Encouraging Factors in Mutual Funds

There are various factors which encourage the investments in the mutual fund. The important encouraging factors are identified with the help of literature. The important factors are simple to invest and monitor the fund, tax benefits, it's a good investment instrument, diversification benefits, reduce the risk of investors by diversifying the portfolio, transparency, professional management of the fund and assured and consistent return. Thus the investors were asked to rate their opinion on the five-point Likert scale. Based on their opinion mean scores and standard deviation were calculated. The following table depicts the result.

Table 4.36
Encouraging Factors in Mutual Funds

Encouraging factors	Mean	Standard deviation
Simple to invest and monitor the fund	4.4356	.69780
Tax advantage	4.1933	.70027
It is a good investment instrument	3.6667	.74319
It provides varieties of product	3.6489	.64107
Reduce the risk of investors by diversifying the portfolio	3.6156	.65815
Transparency	3.5467	.64279
Professional management of fund	3.5200	.73160
Repurchase facility	3.4311	.76150
It provides assured and consistent return	2.9000	.83159

Source: Survey data

From the table 4.34, it is noticed that simple to invest and monitor the fund was the important factor which encourages the investors to mutual fund. The mean score of the factor was 4.4356. Tax advantage (4.1933) and it is a good investment instrument (3.6667) were the second and third factor respectively. Diversification benefits got the mean scores of 3.6489 followed by transparency and professional management of the fund. The least important factor among the respondents was assured and consistent return.

4.11.3. Discouraging Factors in Mutual Funds

Compared to the growth of mutual fund industry in the developed countries, Indian mutual fund industry are at the adolescent stage. There are various factors which affect the growth and performance of the industry. Mutual funds have not been able to perform up to the desired level of investors. Mutual fund fails to provide regular return and capital appreciation to the units at minimum risk. The

important discouraging factors in a mutual fund are the nonperformance of Funds, nonavailability of good service from the mutual fund company, poor liquidity, inadequate research, over-diversification, high risk, poor service quality, high transaction costs and ineffective grievance redressal mechanism.

The investors were asked to rate their opinion on five points Likert scale. Based on their opinion mean scores and standard deviation were calculated. The table 4.37 exhibited the mean score and standard deviation of the various discouraging factors.

Table 4.37
Discouraging Factors in Mutual Funds

Discouraging Factors	Mean	Standard deviation
Nonperformance of Funds	3.7489	.60182
Nonavailability of good service from mutual fund company	3.7089	.77670
Poor liquidity	2.8178	.68235
Inadequate research	3.7467	.89433
Over-diversification	3.2178	.77353
High risk	3.5578	.81056
Poor service quality	3.6378	.92474
High transaction costs	3.1089	.71830
Ineffective grievance redressal mechanism	2.2844	.93150

Source: Survey data

Table 4.37 reveals that nonperformance of the fund was the most discouraging factor to mutual funds. The mean score of the factor was 3.7489. Inadequate research (3.7467) and nonavailability of good service from mutual fund Company (3.7089) also discouraged the investors to mutual funds. Poor service quality (3.6378) and high risk (3.5578) factors also inhabit the investors to mutual fund. According to the opinion of respondents, grievance redressal mechanism has the least influence on discouraging the investors to mutual fund.

To find whether there exists any difference between level of preference and discouraging factors in a mutual fund. ANOVA was conducted to test the differences and the result is exhibited in the below table.

Table 4.38
Discouraging Factors and Level of Preference

Values	Level of Preference			F value	P value
	Low	Medium	High		
Mean	30.2760	29.8209	28.3509	11.160	.000
Standard deviation	3.03761	2.46734	2.24795		

Source: Survey data

Significant at 0.05 levels

The discouraging factors were influenced more by low preferred investors (30.2760) followed by medium preferred investors and high preferred investors. The p-value is 0.000 and it is less than 0.05, so the hypothesis was rejected. Hence the study was concluded that there is a significant difference in the discouraging factors and the level of preference of investors.

Table 4.39
Post hoc Test for Discouraging Factors on Level of Preference

(I)Level of Preference towards Mutual Fund	(J)Level of Preference towards Mutual Fund	Mean Difference	Std. Error	Sig
Low	Medium	.45515	.27264	.249
	High	1.92516*	.40753	.000
Medium	Low	-.45515	.27264	.249
	High	1.47002*	.40544	.002
High	Medium	-1.92516*	.40753	.000
	Low	-1.47002*	.40544	.002

Source: Survey data

*. The mean difference is significant at the 0.05 level.

Scheffe Post hoc test result shows the intergroup difference in the influence of discouraging factors on the level of preference. It is seen that there is no significant difference in the opinion of low and medium preferred investors about the discouraging factors in a mutual fund as the significant value is 0.249 which is not significant at 5 percent level of significance. But there is a significant difference can be found in the cases of low preferred and medium preferred investors with high preferred investors. Hence, it is concluded that significant difference in the opinion of low preferred and medium preferred investors about the discouraging factors in mutual fund compared to high preferred investors.

4.11.4. Level of Awareness of Different Terms in Mutual Fund Market

This section deals with the knowledge of investors about various terms used in mutual fund business. The investors who invest in any financial asset, they must have some knowledge about their investment. The investors, who have the high knowledge, may influence his investment decision making and selection of fund. The following table exhibits the result.

Table 4.40

Level of Awareness of Different Terms in Mutual Fund Market

Sl no	Awareness of	Mean	SD	T value
1	AMC	4.2956	.76051	36.137
2	NAV	4.5400	.72157	45.274
3	New fund offer	3.2511	.90608	5.879
4	Direct plan	3.6000	1.00334	12.686
5	SWP	2.8044	.90629	-4.577
6	STP	2.8067	.91289	-4.493
7	Transaction cost	3.3911	1.16095	7.146
8	Entry load and exit load	4.0000	.94857	22.363
9	ECS	2.8778	.98120	-2.642

Source: Survey data

The table indicates that the investors have good knowledge about the terms of Net Asset Value and Asset Management Company with respective mean scores of 4.54 and 4.29 respectively. Based on the survey, the investors have least awareness on SWP, STP, ECS with mean scores of 2.8, 2.81, and 2.87 respectively. In order to assess the level of awareness and gender, educational qualification and year of experience in mutual fund investments, ANOVA was conducted. The following table indicates the result.

Table 4.41

Association of Awareness about Different Terms in Mutual Fund Market and Gender, Educational Qualification and Year of Experience

Variables		Awareness about different terms in MF market		
		Mean	SD	F value
Gender	Male	33.8604	6.69246	T value .017(p=.898)
	female	34.3939	6.62989	
Educational qualification	SSLC	31.5075	5.91447	13.468(p=.000)
	higher secondary	32.4088	7.19017	
	graduate	34.8817	4.20365	
	postgraduate	37.2273	7.14340	
	professional	37.7619	2.87932	
Year of experience	3 year and less than 3 year	32.8947	6.75589	4.472(p=.001)
	4-6 years	32.6561	5.89841	
	7-10 years	34.6923	7.44994	
	11-15 years	35.2792	5.48140	
	16 years and above	35.8919	11.05236	

Source: Survey data

Significant at 0.05 levels

The table indicates that p-value 0.898 and it is greater than 0.05 in the case of the gender of the respondents, so we accepted the hypothesis of there is no significant difference between the gender and awareness about various terms in mutual fund market. In the case of educational qualification and year of experience in the mutual fund investment, the p-value is less than 0.05. Hence the hypothesis was rejected and we can conclude that there is a significant difference between the awareness of investors and their gender and years of experience in a mutual fund. The investors who have higher education, they are more aware of mutual fund and the person who have more years of experience in mutual fund and their awareness towards MF was high compared to the fresh investor in MF.

4.12. Investor's Specific Attitude on Mutual Fund

Attitude is a favorable or unfavorable evaluative reaction towards something or someone exhibited in one's beliefs, feelings, or intended behavior. The investors' attitude towards investment is related with respect to their financial needs, investment objective, and time horizon of investment, willingness to take the risk, fluctuations in the value of the investment, investment experience, preference and degree of safety for financial assets. Based on the review of the literature, mainly four factors identified which influence the investor's specific attitude. The factors are awareness, safety and security, risk attitude and their confidence. Various statements are developed in each four-factor with the help of experts and review of the literature. The reliability statistics for the specific attitude of investors was 0.820. The investors were asked to rate their opinion on the five-point Likert scale. The score 5 for strongly agree, 4 is for agree, 3 for neutral and 2 for disagree and 1 for strongly disagree. Based on the opinion, mean scores and standard deviation were calculated. By using mean score ranks were assigned to 16 different statements. The result summarized in table 4.42.

Table 4.42
Investor's Specific Attitude on Mutual Fund Investments

Sl no	Attributes	Mean	Std Deviation	Rank
Awareness				
1	Investment in mutual fund help to reap the benefit of equity market	4.1889	.54414	1
2	Benefits of diversification can be enjoyed through mutual fund investment	3.7044	.61837	3
3	Professional fund managers manage the mutual fund	3.2622	.72046	4
4	Mutual Funds with high NAV is good for investment	3.7267	.89714	2
Total		14.8822	1.62302	
Safety and security				
1	Private funds are more return-oriented than public sector Mutual Funds	3.5689	.84995	2
2	Growth schemes are better than income schemes	4.2067	.66704	1
3	Public sector mutual fund is more secure than private sector	2.9244	.87457	4
4	Investing in mutual fund yielding quick returns and capital appreciation	3.2431	.71908	3
Total		13.5600	1.52257	
Risk attitude				
1	Mutual funds are less risky compared to equity shares	3.5733	.63681	3
2	Diversification in mutual fund reduces the risk	3.1733	.67813	4
3	I note the risks involved in a particular scheme and invest only after assessing my risk tolerance	4.0822	.69992	1
4	Stock market volatility affect the return and risk aspects of mutual fund	3.6644	.84201	2
Total		14.4933	1.42088	
Confidence of Investors				
1	Mutual funds return and Performance is satisfactory	3.0689	.62762	4
2	The services of mutual fund managers were satisfactory	3.1889	.68867	3
3	Regulatory bodies handle the grievances properly	4.0244	.63444	2
4	SEBI and AMFI protect the interest of investors	4.1756	.57244	1
Total		14.4578	1.30247	

Source: Survey data

Among the respondents, majority of them accept the awareness statements of ‘mutual fund help to reap the benefit of equity market’, ‘mutual Funds with high NAV is good for investment’, ‘benefits of diversification can be enjoyed through mutual fund investment’ and ‘professional fund managers manage the mutual fund’ since their respective mean score of 4.1889, 3.7267, 3.7044 and 3.2622 respectively. Regarding their opinion about safety and security aspects of mutual fund, investors accepted that ‘growth schemes are better than income schemes’, ‘private funds are more return-oriented than public sector mutual funds’, ‘investing in mutual fund yielding quick returns and capital appreciation’ and ‘public sector mutual fund are more secure than private sector’ with their value of 4.2067, 3.5689, 3.2431, and 2.9244 respectively.

From the table 4.42, it is clear that ‘investor’s note the risks involved in a particular scheme and invest only after assessing their risk tolerance’ is ranked first (4.0822) followed by ‘stock market volatility affect the return and risk aspects of mutual fund’, ‘mutual funds are less risky compared to equity shares’ and ‘diversification in mutual fund reduces the risk’ with mean scores of 3.6644, 3.5733 and 3.1733 respectively. By analyzing the investor’s confidence, the investor’s agreed that ‘SEBI and AMFI protect the interest of investors’ is ranked first and ‘regulatory bodies handle the grievances properly’ (4.0244) is ranked second followed by the ‘services of mutual fund managers were satisfactory’ and ‘mutual funds return and performance is satisfactory’ since their respective mean score of 3.1889 and 3.0689. The table 4.42 reveals that the awareness of investors is the most influencing factor on the investment decisions of mutual fund investors. So AMC’s should take necessary steps to increase the awareness of investors.

In order to know the relationship between investors’ specific attitude with its sub-dimensions of awareness, safety and security, risk attitude and the confidence of investors, the correlation was carried out and presented in the following table.

Table 4.43**Correlation of Investment-Specific Attitude with Sub Dimensions**

Sub Dimensions	Correlation
Awareness	0.764**
Safety and Security	0.749**
Risk Attitude	0.801**
Confidence of Investors	0.695**

** Significant at 0.01 levels.

It is clear from the table 4.43 that, risk attitude is the most influencing factor of investors' specific attitude with a correlation coefficient of 0.801 followed by awareness of investor towards mutual fund (correlation coefficient 0.764). Hence AMC's should conduct various awareness programs to the investors and thus they can increase the investors' confidence.

In order to understand the influence of investors' specific attitude on their investment decision making in a mutual fund, regression analysis was used to test the hypothesis. In order to conduct the analysis, mean scores of each dimension were calculated by adding the mean scores of corresponding statements in each dimension. The following table depicts the result.

Table 4.44**Influence of Specific Attitude on Investment Decision-Regression Analysis**

Independent Variable	Coefficients		Standardized Coefficients	t	Sig.
	B	Std error			
Specific attitude of investors	.091	.003	.978	151.314**	.000
Adjusted R ² =0.961					

** Significant at 0.01 levels

From the regression analysis (table 4.44), it is clear that the investment decisions of investors are much influenced by their specific attitude at 1 percent level of significance. The standardized regression coefficient is 0.978 and adjusted

R^2 is 0.961. The significant value is 0.000 and it is less than 0.01 and we reject the null hypothesis. Hence we can conclude that there is a positive relationship between investors specific attitude on their investment decision.

4.13. Satisfaction of Investors towards the Mutual Fund

In this section, level of satisfaction of mutual fund investors towards the returns and their services are analyzed. Satisfaction of investors towards the mutual fund is referred to as the satisfaction level of investors with regards to fund quality, Fund sponsor quality and investor related services. In each factor, different subcomponents are identified. Under fund quality, return, the risk of the scheme, expense ratio of the scheme, tax benefits, and liquidity are used to study the satisfaction of investors. Satisfaction towards the fund sponsor quality, the parameters of mapping ability of fund managers, service quality of AMC, the disclosure of valuable information and the strategy of fund managers are used. Investor related service includes transparency, responsiveness, grievances handling, and electronic clearing system. Reliability was tested and it was found to be 0.724. The investors were asked to rate their opinion on the five-point Likert scale, 5 for very satisfied and 4 for satisfied, 3 for neutral, 2 for dissatisfied and 1 for very dissatisfied. Based on their opinion mean scores were calculated. The result exhibited in the following table.

Table 4.45
Satisfaction of Investors towards Mutual Fund

Parameters	Mean	Std. Deviation
Fund Quality		
Return of the Scheme	3.6644	0.50461
Risk of the Scheme	3.2956	0.56963
Expense Ratio of the Scheme	2.8578	0.64518
Tax Benefits	4.0378	0.67793
Liquidity	3.6378	0.55027
Fund Sponsor Quality		
Risk Mapping ability of Fund Managers	3.5422	0.60748
Service Quality of AMC	3.2844	0.84631
Disclosure of Valuable Information	4.2467	0.75747
Strategy of Fund Managers	2.9067	1.07210
Investors Related Services		
Transparency	3.6289	0.59137
Responsiveness	4.3933	0.69260
Grievance Handling	4.5044	0.69116
Electronic Clearing system	4.1989	0.54414

Source: Survey data

The mean scores of investor's satisfaction towards mutual fund reveal that, under the parameter of fund quality, investors are more satisfied with the tax benefits offered by the scheme(mean score 4.04) followed by the return of the scheme with mean scores and standard deviation of 3.66 and 0.504 respectively. The investor's satisfaction is very low with regard to the expense ratio of the scheme with mean scores of 2.86.

By analyzing the investor's satisfaction towards the fund sponsor quality, the table 4.45 indicates that the investor's satisfaction was very high in the case of dissemination of information by AMC to its customers with mean scores and standard deviation of 4.25 and 0.75 respectively. The investors are satisfied with the risk mapping ability of fund managers and overall service quality of Asset Management Companies with a mean score of 3.54 and 3.28 respectively. The investors are not satisfied with the strategy adopted by fund managers to pick the fund and portfolio management of investors with the mean scores and standard deviation of 2.91 and 1.07 respectively.

The investors are more satisfied with the investor related services of AMCs. The investor's satisfaction was high in respect of the speedy handling of grievances (mean score 4.50) followed by responsiveness and electronic clearing system with the mean scores of 4.39 and 4.19 respectively.

In order to understand the relationship between investors' satisfaction towards mutual fund with its parameters of fund quality, fund sponsor quality, and investor related services, the correlation was carried out and presented in the following table.

Table 4.46

Correlation Analysis of Satisfaction towards Mutual Fund and its Parameters

Parameters	Correlation
Fund Quality	0.734**
Fund Sponsor Quality	0.748**
Investor Related Services	0.811**

** Significant at 0.01 levels.

It is clear from the table 4.46 that, investor related services are the most influencing factor of investors' satisfaction with a correlation coefficient of 0.811 followed by satisfaction towards fund sponsor (correlation coefficient 0.748). Hence, the Asset Management Companies should take necessary actions to improve the investor related services and improve their services to catch new investors to MF

and retains the existing investors. Investor's satisfaction was comparatively low with regard to schemes quality. To increase the satisfaction of investors towards the fund quality, AMC should try to introduce innovative products.

4.14. Conclusion

The present chapter has discussed about the demographic profile of the respondents, savings and investments, investment objectives of respondents, amount of investments in mutual fund, years of experience in mutual fund, scheme preferences of investors, AMC wise preference, popularity of mutual fund organization among respondents, characteristics of mutual fund preferred among the investors, encouraging and discouraging factors in mutual fund, specific attitude of investors on mutual fund and the satisfaction level of investors towards mutual fund. It is clear from the analysis that, the respondents are authentic mutual fund investors because the majority of them were investing more than 25 percent of their investment in mutual funds and they have more than 4 years of experience in mutual funds. The most preferred scheme among respondents was open-ended scheme, growth schemes etc. The bank sponsored mutual fund was the most preferred mutual fund among the respondents. The respondents are agreeing that safety and security were the most preferred characteristics of MF among the respondents. The investor's specific attitude had a positive influence on their investment decisions. Investors are satisfied with the fund quality, fund sponsor quality and investor related services of MF.

Chapter **5**

**FUND SELECTION BEHAVIOR IN
MUTUAL FUND AND INVESTOR'S
PERCEPTION TOWARDS
SYSTEMATIC INVESTMENT PLAN**

5.1.Introduction

The mutual fund has come forth as a tool for ensuring one's financial well being.As information and awareness are rising more and more people are enjoying the benefits of Systematic Investment Plans. One of the important objectives of the study is to assess the perception of investors' regarding the Systematic Investment Plan and their fund selection behavior. Perception of investors means that the identification and interpretation of sensory information about investment in order to take a better investment decision. This chapter includes the monthly investments in SIPs, the frequency of investment status, sources of information about Systematic Investment Plan, awareness of risk, the risk tolerance of investor's, preference towards various schemes and their perception towards the Systematic Investment Plan.

Another important study area in this chapter is the fund selection behavior of investors. Fund selection behavior is broadly classified into three heads; scheme related factors, factors related to fund sponsoring company and investor related services.The emerging trends in the market environment, particularly the financial sector, are the important aspects to be considered while formulating any marketing strategy, specifically in the financial economy, as they greatly influence the changing needs of investors. Marketing problems of mutual fund are also studied in this section by incorporating the views of intermediaries about distribution problems of mutual fund and factors for improving the quality of distribution.

5.2. Monthly Investments in Systematic Investment Plans

To understand the monthly investments in SIP, the respondents were asked to choose their amount of investments in the following categories. The categories are RS.500-1000, Rs.1001-1500, Rs. 1501-2000, Rs.2001-2500,Rs. 2501 and above. The following table summarizes the result.

Table 5.1**Monthly Investments in Systematic Investment Plans**

Amount of Monthly investments in SIP	Frequency	Percent
500-1000	5	1.1
1001-1500	29	6.4
1501-2000	157	34.9
2001-2500	108	24.0
2501 and above	151	33.6
Total	450	100.0

Source: Survey data

It is ascertained from the table that, the majority of the investors has a monthly investment in SIP of rupees Rs. 1501-2000(34.9 percent) followed by investment worth Rs.2501 and above (33.6 percent) and 24 percent of investors have a monthly investment in SIP within the range of Rs.2001-2500.Only 5 investors have investment less than Rs.1000 in SIP.

Table 5.2**Amount of Monthly Investments in Systematic Investment Plans -Region Wise Analysis**

Region	Amount of monthly investments in SIP					
	500-1000	1001-1500	1501-2000	2001-2500	2501 and above	Total
North	2 (1.3%)	16 (10.7%)	75 (50.0%)	41 (27.3%)	16 (10.7%)	150 (100.0%)
Central	0 (0.0%)	4 (2.7%)	34 (22.7%)	31 (20.7%)	81 (54.0%)	150 (100.0%)
South	3 (2.0%)	9 (6.0%)	48 (31.8%)	36 (23.8%)	55 (36.4%)	150 (100.0%)
Total	5 (1.1%)	29 (6.4%)	157 (34.9%)	108 (24.0%)	151 (33.6%)	450 (100.0%)
$\chi^2 = 72.465^{**}$ df = 8; P = 0.000						

** Significant at 0.05 levels

Source: Survey data

The above table shows that, in the northern region, 50 percent investors have monthly SIP within the range of Rs.1501-2000 followed by Rs.2001-2500 which constitutes 27.3 percent. In the central region, the first two important investment groups are above Rs.2501 and Rs 1501-2000 which constitute 54 percent and 22.7 percent respectively. In the southern region, 36.4 percent of investors have a monthly SIP of above Rs.2501 and only 2 percent of investors have monthly SIP of below Rs.1000

To ascertain whether there is any significant association between the amount of monthly investment in SIP and the region, the null hypothesis is that, 'there is no significant association between the amount of monthly SIP and region. The hypothesis was tested with the help of chi-square test. Since the p-value is 0.000 at 5 percent level of significance (DF: 8).So the hypothesis was rejected. Hence it is concluded that there is a significant association between the region and monthly investments in SIP.

Table 5.3

Monthly Investments in Systematic Investment Plans -Gender Wise Analysis

Gender	Amount of Monthly Investments in SIP					Total
	500-1000	1001-1500	1501-2000	2001-2500	2501 and above	
Male	5 (1.4%)	22 (6.3%)	129 (36.8%)	96 (27.4%)	99 (28.2%)	351 (100.0%)
Female	0 (0.0%)	7 (7.1%)	28 (28.3%)	12 (12.1%)	52 (52.5%)	99 (100.0%)
Total	5 1.1%	29 6.4%	157 34.9%	108 24.0%	151 33.6%	450 100.0%
$\chi^2 = 24.149^{**}$ df = 4; P = 0.000						

** Significant at 0.05 levels

Source: Survey data

It is assessed from the table that, male investor's high investment is Rs.1500-2000 and female investors high investment is Rs.2501 and above which constitute 36.8 percent and 52.5 percent respectively.

In order to find out whether there is any association between the gender and monthly investment in SIP, the chi-square test was conducted to test the hypothesis. The result shows that p-value is 0.000, $p < 0.05$. So the hypothesis is rejected and concludes that there is a significant association between the gender and amount of investments in SIP.

Table 5.4

Monthly Investments in Systematic Investment Plans- Age Wise Analysis

Age	Amount of Monthly Investments in SIP					Total
	500-1000	1001-1500	1501-2000	2001-2500	2501 and above	
Below 30	5 (4.8%)	10 (9.5%)	51 (48.6%)	7 (6.7%)	32 (30.5%)	105 (100.0%)
30-40	0 (0.0%)	5 (4.1%)	48 (39.7%)	45 (37.2%)	23 (19.0%)	121 (100.0%)
40-50	0 (0.0%)	9 (7.9%)	21 (18.4%)	38 (33.3%)	46 (40.4%)	114 (100.0%)(
50 & above	0 (0.0%)	5 (4.5%)	37 (33.6%)	18 (16.4%)	50 (45.5%)	110 (100.0%)
Total	5 (1.1%)	29 (6.4%)	157 (34.9%)	108 (24.0%)	151 (33.6%)	450 (100.0%)
$\chi^2 = 78.167^{**}$ df = 12; P = 0.000						

** Significant at 0.05 levels

Source: Survey data

The table indicates that, in the age group of below 30, the first two investment categories are Rs. 1501-2000 and above Rs.2501 which constitute 48.6 percent and 30.5 percent. The age group of 30 to 40, high investment in between Rs.1501-2000 and no investor invests less than Rs. 1000. In the age group of 40-50,

40.4 percent have monthly SIP of above 2500 and 33.3 percent made investments within the range of Rs.2001-2500. In the age group of above 50, 45.5 percent have monthly SIP of above Rs. 2501. It shows that retired people have more amount of investment in SIP than youngsters and middle age group.

In order to find out whether there is any association between the age and monthly investment in SIP, the null hypothesis is that there is no significant association between the age and amount of monthly investment in SIP. The chi-square test was conducted to find out the result is significant or not. The p-value is 0.000 and it is less than 0.05. So the hypothesis is rejected and concludes that there is a significant association between the age and monthly investments in SIP.

Table 5.5
Monthly Investments in Systematic Investment Plans - Occupation Wise Analysis

Occupation	Amount of Monthly Investments in SIP					Total
	500-1000	1001-1500	1501-2000	2001-2500	2501 and above	
Govt employee	0 (0.0%)	2 (2.1%)	19 (20.2%)	30 (31.9%)	43 (45.7%)	94 (100.0%)
Private sector	5 (4.6%)	17 (15.7%)	34 (31.5%)	24 (22.2%)	28 (25.9%)	108 (100.0%)
Business	0 (0.0%)	5 (5.8%)	42 (48.8%)	19 (22.1%)	20 (23.3%)	86 100.0%
Professional	0 (0.0%)	5 (7.1%)	19 (27.1%)	10 (14.3%)	36 (51.4%)	70 (100.0%)
Self employed	0 (0.0%)	0 (0.0%)	30 (61.2%)	7 (14.3%)	12 (24.5%)	49 (100.0%)
Retired	0 (0.0%)	0 (0.0%)	13 (54.2%)	2 (8.3%)	9 (37.5%)	24 (100.0%)
NRI	0 (0.0%)	0 (0.0%)	0 (0.0%)	16 (84.2%)	3 (15.8%)	19 (100.0%)
Total	5 (1.1%)	29 (6.4%)	157 (34.9%)	108 (24.0%)	151 (33.6%)	450 (100.0%)
$\chi^2 = 127.235$ ** df = 24; P = 0.000						

** Significant at 0.05 levels

Source: Survey data

The above table shows that government employee's high investment level in SIP is above Rs. 2501(45.7). Majority of the private sector employee's investment range is Rs.1501-2000 which constitutes 31.5 percent. Business people, self-employed and retired people high investment range is Rs.1501-2000 which constitutes 48.8, 61.2 and 54.2 percent respectively. In the case of professionals, their high investment range is above Rs.2501 and in the case of NRIs, 84.2 percent respondents have monthly SIP within the range of Rs.2001-2500.

The Chi-Square test of independence reveals a chi-square Value of 127.235 and a P-value of 0.000. Based on these values, the null hypothesis, there is no significant association between the monthly investments in SIP and the occupation of the respondents, is rejected and the alternative hypothesis, there is an association between the monthly investments in SIP and the occupation of the respondents is accepted. Hence, it can be concluded that there is an association between the monthly investments in SIP and the occupation of the respondents

Table 5.6

Monthly Investments in Systematic Investment Plans- Income Wise Analysis

Monthly Income	Amount of Monthly Investments in SIP					Total
	500-1000	1001-1500	1501-2000	2001-2500	2501 and above	
10001-20000	5 (3.8%)	11 (8.4%)	74 (56.5%)	28 (21.4%)	13 (9.9%)	131 (100.0%)
20001-30000	0 (0.0%)	8 (4.7%)	53 (31.4%)	58 (34.3%)	50 (29.6%)	169 (100.0%)
30001-40000	0 (0.0%)	2 (2.2%)	26 (28.9%)	13 (14.4%)	49 (54.4%)	90 (100.0%)
40001-50000	0 (0.0%)	0 (0.0%)	4 (12.5%)	9 (28.1%)	19 (59.4%)	32 (100.0%)
above 50001	0 (0.0%)	8 (28.6%)	0 (0.0%)	0 (0.0%)	20 (71.4%)	28 (100.0%)
Total	5 (1.1%)	29 (6.4%)	157 (34.9%)	108 (24.0%)	151 (33.6%)	450 (100.0%)
$\chi^2 = 143.830^{**}$ df = 16; P = 0.000						

** Significant at 0.05 levels

Source: Survey data

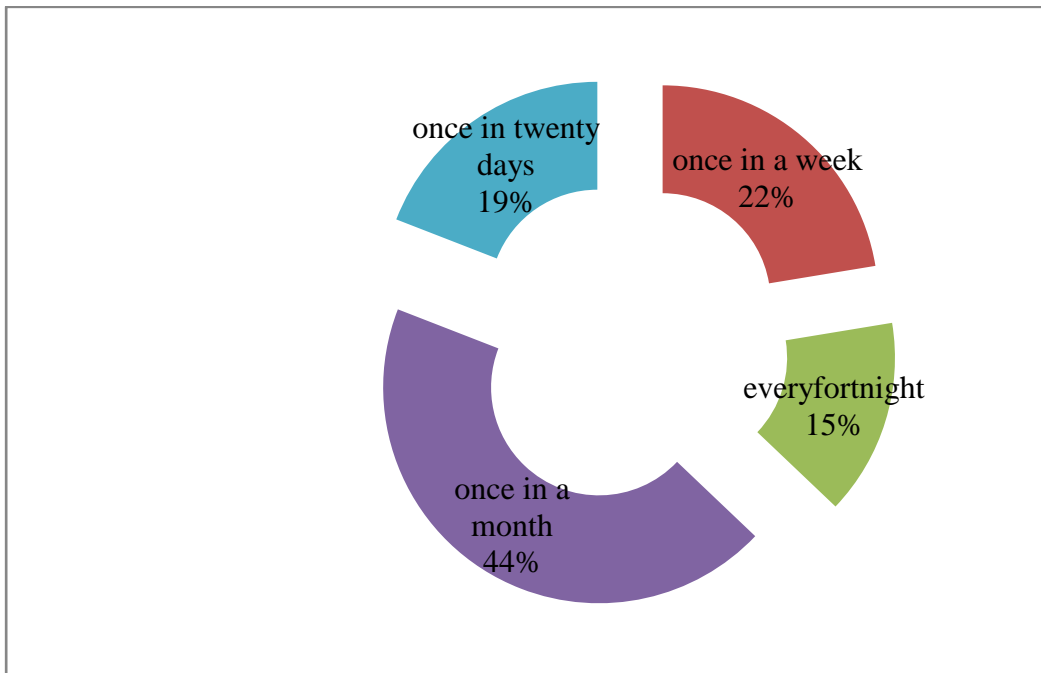
The above table indicates that the investors coming under the monthly income of Rs.10001-20000, the majority of the investors have investments in SIP per month in between Rs. 1501-2000. The income group of Rs.20001-30000 major choice of monthly SIP is Rs. 2001-2500 (34.3 percent). The income group of Rs.30001-40000, major preference is Rs.1501-2000 (34.3 percent). In the income category of Rs.40001-50000, 59.4 percent invests Rs.2501 and above in SIP per month. Above Rs.50001 income group, the majority of investors have investment above Rs.2501 in SIP in a month. It shows that investors' have high income who invests more in SIP and low-income groups' investment is comparatively low.

The Chi-Square test of independence reveals a chi-square Value of 143.830(D.F:16) and a P value of 0.000. Based on these values, the null hypothesis, there is no significant association between the monthly investments in SIP and the monthly income of the respondents, is rejected and the alternative hypothesis, there is an association between the monthly investments in SIP and the monthly income of the respondents is accepted. Hence, there is an association between the monthly investments in SIP and the monthly income of the respondents

5.3. Frequency of Investment Status

To understand the performance review of their investment in SIP, the investors were asked to choose one option from various alternatives. The alternatives are every fortnight, once in a week, once in twenty days, and once in a month. The following figure demonstrates the result.

Figure 5.1
Frequency of Investment Status



Source: Survey data

The figure shows that 44 percent of individual investors like to review the performance of their investment in once in a month following once in a week and once in twenty days (22 percent and 19 percent) respectively.

5.4. Sources of Information about Systematic Investment Plan

Sources of information are one of the important factors in the selection criteria of mutual fund and SIPs. Investors do not rely not only one source of information but also the varied sources of information. Based on the previous review of the literature, the sources of influences are mainly broken into eight factors; namely, friends and relatives, books/magazine/journal, brokers/agents/financial advisors, seminar/conferences, internet/websites, AMC's portfolio statements/prospectus, financial literacy programs, information from distributors. The following table depicts the result.

Table 5.7

Sources of Information about Systematic Investment Plan

Sources of information	Mean	Std. Deviation	Rank
Friends and Relatives	3.8289	1.01198	4
Books /Magazine/Journal	3.6222	.70281	5
Brokers /Agents/Financial advisors	4.2489	.69699	1
Seminars/Conferences	3.1511	.89009	6
Internet /Websites	3.9067	.70011	3
AMC's Portfolio Statement/Prospectus	3.0956	1.14134	7
Financial Literacy Programs	2.9800	1.07494	8
Information from distributors	3.9111	.65807	2

Source: Survey data

It is clear from the table 5.7 that the important sources of information are brokers, agents, financial advisors with a mean score of 4.2489. Similarly, the other sources of information are ranked in accordance with their mean scores. Information from distributors are ranked second, internet or websites and friends and relatives follows third and fourth rank with a mean score of 3.9111 and 3.8289 respectively. Books, journals or magazines and seminar or conference got fifth and sixth rank respectively. Financial literacy programs have the least impact on the sources of influence of Systematic Investment Plan.

To test whether there is any significant difference in the sources of influence and level of preference of investors. ANOVA was conducted to test the hypothesis

H₀: There is no significant difference in the sources of influence on the level of preference of investors.

Table 5.8

Association of Sources of Influence and Level of Preferences

Level of Preferences	Mean	Std. Deviation	F value
Low Preferred	29.4115	2.63136	12.450** (p=.000)
Medium Preferred	27.8507	3.93670	
High Preferred	29.6491	3.85214	
Total	28.7444	3.51440	

** Significant at 0.05 levels

Source: Survey data

It is observed from the table 5.8 that high preferred and medium preferred mutual fund investors are more influenced than low preferred investors. The p-value 0.000 and it is less than 0.05. So the hypothesis was rejected and we accept the alternative hypothesis of there is a significant difference in the sources of influence and type of investor.

5.5. Awareness of Risks in Mutual Fund Investments and Systematic Investment Plans

The risk is the quantifiable likelihood of loss or less than expected returns. Risk means the possibilities of occurring loss in the future. Some investors choose to incur higher levels of risk with the expectation of getting a higher level of return in the future. Other investors are unwilling to take much risk with the fear of getting loss in the coming period. The major risk associated with mutual fund investments are liquidity risk, market risk, inflation risk, interest rate risk, investment risk, credit risk and change in the government policy. Liquidity risk is a financial risk in which particular financial asset or security cannot be traded quickly in the market.

The variability in the security returns resulting from the fluctuations in the aggregate market is known as market risk. Inflation risk or purchasing power risk arising out of fluctuations in cash flow of securities due to the inflation. Investment risk means risk arising out due to the variation in the absolute level of interest rates. The probability of occurring loss due relative to the return of alternative investment termed as investment risk. Credit risk is arising by making default on the payment of

principal and interest on time and Change in government policy (some regulation and policy of government may also adversely affect the return expectation of investors).

To understand the investors' awareness about various risk in a mutual fund, investors were asked to rate their awareness about various risk in SIP. Five for fully aware, four for aware, three for partially aware, two for somewhat aware and one for not all aware. According to the opinion of investors, mean scores were calculated and it is presented in table 5.9.

Table 5.9
Investor's Awareness towards Risks in Mutual Funds and Systematic Investment Plans

Risk	Mean	Std. Deviation	Rank
Market Risk	3.6178	.70039	1
Investment Risk	3.3889	.86112	2
Changes in Government Policy	3.2467	.89991	3
Liquidity Risk	2.7489	1.08423	4
Interest Rate Risk	2.5333	.97462	5
Credit Risk	2.3183	.96283	6
Inflation Risk	2.1038	.95535	7
Total Awareness Score=2.92			

Source: Survey data

The investors agreed that the awareness of risk in a mutual fund in the order of market risk, investment risk, change in government policy, liquidity risk, interest rate risk, credit risk and inflation risk with mean scores of 3.62, 3.89, 3.25, 2.75, 2.53, 2.32 and 2.10 respectively. The total awareness score is 2.92. Hence we can conclude that the awareness of investors towards various risk associated with their investment is very low. So the Asset Management Companies and regulators should take necessary measures to improve the awareness of investors towards various aspects in connection with their investment.

Cross-tabulation of the level of preference and awareness about the various risk involved in mutual fund help to check whether there is any significant difference between the awareness towards various risk and level of preference.

Table 5.10
Association of Awareness of Risk in Mutual Fund and Type of Investor

Risk	Type of Investor						F value	P value
	Low preferred investor		Medium preferred investor		High preferred investor			
	Mean score	SD	Mean score	SD	Mean score	SD		
Liquidity risk	2.6813	.78870	2.7881	.91031	2.7544	.82982	6.806	.001
Market risk	3.2552	.89060	3.4906	.64093	4.0647	.45334	14.693	.000
Inflation risk	2.0585	.83758	2.1427	1.02421	2.1789	1.10109	8.040	.000
Interest rate risk	2.3823	.96026	2.4980	.80792	2.7368	.58329	26.006	.000
Investment risk	3.1302	.76146	3.4000	.69282	3.6404	.74255	17.455	.000
Credit risk	2.2281	.96355	2.3254	1.16164	2.4286	1.06934	7.249	.001
Change in Govt policy	3.1552	.66117	3.2224	.76207	3.2712	.50437	6.654	.001

** Significant at 0.05 level

Source: Survey data

The table results that the investors have a low level of preference towards the mutual fund, they are more aware of the market risk and change in government policy with mean scores of 3.2552 and 3.1552 and followed by the investment risk with mean score 3.1302. They are least aware of inflation risk. In the case of medium preferred investors in the mutual fund are more aware of market risk following investment risk of mean scores 3.49 and 3.40 respectively. They are least aware of inflation risk with mean score 2.1427. If investors have a high preference for a mutual fund, they are most aware of the market risk and following investment risk with mean scores of 4.06 and 3.64 respectively. Their awareness is very low in the case of inflation risk.

To check the significant difference of awareness of risk in SIP and their level of preference, ANOVA was conducted. The result concludes that, in the case of all risk, $p < 0.05$ and the null hypothesis of there is no significant difference in the awareness of risks in SIP and the level of preference of investors was rejected. Hence the conclusion is that there is a significant difference in the awareness about risk and the level of preference of investors.

5.6. Risk Tolerance of Investors

Risk tolerance means the degree of uncertainty that an investor can handle with regard to a negative change in the value of his or her portfolio. An investor risk tolerance varies according to age, income level, financial goals etc. John. E. Grable (1997) in his study classified the risk tolerance level of individual investors into three categories namely low, medium and high. In the same way, the risk tolerance of investors is categorized into three for the present study. To understand the investor's risk tolerance, they were asked to choose the category in which they believed to suit for their risk tolerance.

Table 5.11

Risk Tolerance of Investors

Nature Of Risk Bearing	Frequency	Percent
Risk Bearer	106	23.6
Moderate Risk Bearer	281	62.4
Risk Averse	63	14.0
Total	450	100.0

Source: Survey data

It has been observed that out of 450 investors, 281 (62.4 percent) have moderate risk taking capacity in the investments of mutual fund and 23.6 percent of respondents have the high risk-bearing capacity to mutual funds. Out of 450 investors, 14 percent respondents are risk-averse to a mutual fund. To check the association between risk tolerance level of investors and their demographic variables, cross tabulation has been done.

Table 5.12**Risk Bearing Nature-Gender Wise Analysis**

Gender	Nature of Risk Bearing			Total
	Risk Bearer	Moderate Risk Bearer	Risk Averse	
Male	85 (24.2%)	214 (61.0%)	52 (14.8%)	351 (100.0%)
Female	21 (21.2%)	67 (67.7%)	11 (11.1%)	99 (100.0%)
Total	106 (23.6%)	281 (62.4%)	63 (14.0%)	450 (100.0%)
$\chi^2 = 1.609$ ** df = 2; P = 0.447				

** Significant at 0.05 level

Source: Survey data

The table indicates that out of 351 males, 214 respondents have the moderate risk-bearing capacity, 24.2 percent have the risk-bearing capacity and 14.8 percent shows a negative attitude towards risk. In the case of 99 female respondents, 67.7 percent have the moderate risk-bearing capacity, 21.2 percent have a positive attitude towards risk and 11.1 percent respondents are risk-averse.

Chi-square of independence was conducted to know the association between the nature of risk bearing and gender of the respondents. The chi-square value is 1.609 at 5 percent level of significance. The p-value is 0.447 and it is more than 0.05, so the hypothesis is accepted. Hence we can conclude that there is no significant association between the risk-bearing nature and gender of the respondents.

Table 5.13
Risk Bearing Nature and Marital Status

Marital Status	Nature of Risk Bearing			Total
	Risk Bearer	Moderate Risk Bearer	Risk Averse	
Married	84 (24.1%)	223 (63.9%)	42 (12.0%)	349 (100.0%)
Unmarried	22 (21.8%)	58 (57.4%)	21 (20.8%)	101 (100.0%)
Total	106 (23.6%)	281 (62.4%)	63 (14.0%)	450 (100.0%)
$\chi^2 = 4.990$ ** df = 2; P = 0.082				

** Significant at 0.05 level

Source: Survey data

It is clear from the table that, out of 349 married respondents, 63.9 percent have the moderate risk-bearing capacity, only 24.1 percent have the risk-bearing capacity to mutual funds and 12 percent respondents have negative risk attitude. Out of 101 unmarried respondents, 57.4 percent have the moderate risk-taking ability, 21.8 percent respondents take a risk and 20.8 percent have risk-averse nature. To test whether there is any association between the risk tolerance and marital status of the respondents, the chi-square test was conducted. The result shows that p-value is 0.082 and $p > 0.05$, So the hypothesis was accepted, there is no significant association between the marital status and nature of risk bearing.

Table 5.14
Risk Bearing Nature-Age Wise Analysis

Age	Nature of Risk Bearing			Total
	Risk Bearer	Moderate Risk Bearer	Risk Averse	
Below 30	12 (11.4%)	66 (62.9%)	27 (25.7%)	105 (100.0%)
30-40	42 (34.7%)	76 (62.8%)	3 (2.5%)	121 (100.0%)
40-50	36 (31.6%)	72 (63.2%)	6 (5.3%)	114 (100.0%)
50 and above	16 (14.5%)	67 (60.9%)	27 (24.5%)	110 (100.0%)
Total	106 (23.6%)	281 (62.4%)	63 (14.0%)	450 (100.0%)
$\chi^2=56.627^{**}$ df = 6; P = 0.000				

** Significant at 0.05 level

Source: Survey data

The table shows the cross-tabulation of age and risk-taking nature of respondent. It is observed from the table that under 30 years of age, 105 respondents are there, out of this 62.9 percent have the moderate risk-bearing capacity, 25.7 percent are risk-averse and 11.4 percent respondents have the more risk-taking ability. The age group 30 to 40, 62.8 percent have the moderate risk-bearing capacity and 34.7 have the risk-bearing capacity. The age group of 40-50 years, among these 63.2 percent respondents is having the moderate risk-taking ability and 31.6 percent are risk bearers. The age groups of above 50, 24.5 percent investors are risk-averse and 60.9 percent have the moderate risk-bearing capacity and remaining 14.5 percent are taking the risk.

Ho= there is no significant association between the age and risk-taking capacity of investors in mutual fund

To test the hypothesis, the chi-square test was applied. The result found that $p=0.000$, $p<0.05$, so the hypothesis is rejected. Hence we can conclude that there is a significant association between the age and risk-taking capacity of investors.

Table 5.15
Risk Bearing Nature-Education Wise Analysis

Educational Qualification	Nature of Risk Bearing			Total
	Risk Bearer	Moderate Risk Bearer	Risk Averse	
SSLC	6 (28.6%)	15 (71.4%)	0 (0.0%)	21 (100.0%)
Higher Secondary	29 (31.2%)	43 (46.2%)	21 (22.6%)	93 (100.0%)
Graduate	35 (19.3%)	113 (62.4%)	33 (18.2%)	181 (100.0%)
Post Graduate	28 (31.8%)	51 (58.0%)	9 (10.2%)	88 (100.0%)
Professional	8 (11.9%)	59 (88.1%)	0 (0.0%)	67 (100.0%)
Total	106 (23.6%)	281 (62.4%)	63 (14.0%)	450 (100.0%)
$\chi^2=42.206$ ** df = 8; P = 0.000				

** Significant at 0.05 level

Source: Survey data

The table reveals that, under the educational qualification of SSLC, 71.4 percent respondents are moderate risk bearers and remaining 28.6 percent have a positive attitude toward risk-taking. Under the educational qualification of higher secondary, 46.2 percent have moderate risk taking capacity, 31.2 percent respondents have risk-bearing capacity more and 22.6 percent respondents are risk-averse. There are 181 graduates in the survey, out of this, the majority of the respondents are moderate risk bearers, 19.3 percent respondents taking more risk and 18.2 percent are risk-averse. The respondents have post-graduation, 58 percent

are taking a moderate risk and 31.8 percent are willing to take more risk. 88.1 percent professional respondents are taking a moderate risk and 11.9 percent are taking high risk. Chi-square test reveals that p-value is 0.000 at 5 percent level of significance, $p < 0.05$, so the hypothesis was rejected and the result is significant.

Table 5.16
Risk Bearing Nature-Occupation Wise Analysis

Occupation	Nature of Risk Bearing			Total
	Risk Bearer	Moderate Risk Bearer	Risk Averse	
Govt Employee	32 (34.0%)	58 (61.7%)	4 (4.3%)	94 (100.0%)
Private Sector	32 (29.6%)	66 (61.1%)	10 (9.3%)	108 (100.0%)
Business	24 (27.9%)	48 (55.8%)	14 (16.3%)	86 (100.0%)
Professional	13 (18.6%)	43 (61.4%)	14 (20.0%)	70 (100.0%)
Self Employed	1 (2.0%)	27 (55.1%)	21 (42.9%)	49 (100.0%)
Retired	4 (16.7%)	20 (83.3%)	0 (0.0%)	24 (100.0%)
NRI	0 (0.0%)	19 (100.0%)	0 (0.0%)	19 (100.0%)
Total	106 (23.6%)	281 (62.4%)	63 (14.0%)	450 (100.0%)
$\chi^2=74.540$ ** df = 12; P = 0.000				

** Significant at 0.05 level

Source: Survey data

It is observed from the table that 94 government employees are there in the study and out of them, 61.7 percent are taking the moderate risk, 34 percent are taking high risk and remaining 4.3 percent are willing to take the only low risk. 61.1 percent of private sector employees have moderate risk taking capacity and 29.6 percent are taking high risk and remaining 9.3 percent are risk-averse. Respondents doing business have the same attitude towards risk, the majority of them are moderate risk bearers and 27.9 percent respondents have the risk-bearing capacity. 61.4 percent professionals are moderate risk bearers, 20 percent are risk-averse and 18.6 percent are willing to take high risk. In the case of self-employed respondents, the majority of them are willing to take the moderate risk, 42.9 percent are risk-averse and remaining 2 percent is a willingness to take high risk. In the case of retired people, 83.3 percent is a willingness to take a moderate risk and remaining 16.7 are risk bearers. 100 percent NRI respondents have the moderate risk-bearing capacity.

The chi-square test was conducted to show the association between the occupation and nature of risk-bearing capacity of respondents. The result reveals that $p=0.000$, so the p-value is less than 0.05, hence the hypothesis was rejected and we can conclude that there is an association between the occupation and risk tolerance of investors.

Table 5.17

Risk Bearing Nature-Income Wise Analysis

Monthly Income	Nature of Risk Bearing			Total
	Risk Bearer	Moderate Risk Bearer	Risk Averse	
10001-20000	35 (26.7%)	70 (53.4%)	26 (19.8%)	131 (100.0%)
20001-30000	39 (23.1%)	108 (63.9%)	22 (13.0%)	39 (23.1%)
30001-40000	21 (23.3%)	58 (64.4%)	11 (12.2%)	90 (100.0%)
40001-50000	3 (9.4%)	25 (78.1%)	4 (12.5%)	32 (100.0%)
above 50001	8 (28.6%)	20 (71.4%)	0 (0.0%)	28 (100.0%)
Total	106 (23.6%)	281 (62.4%)	63 (14.0%)	450 (100.0%)
$\chi^2=14.536^a$ ** df = 8; P = 0. 069				

** Significant at 0.05 level

Source: Survey data

The table reveals that the monthly income group of Rs. 10001- 20000, 53.4 percent has the moderate risk-bearing capacity, 26.7 percent are a willingness to take high risk and 19.8 percent have a negative attitude towards risk. The respondents coming under the monthly income group of Rs.20001-30000,63.9 percent are moderate risk bearers, 23.1 percent have the willingness to take high risk and 13 percent have risk-bearing capacity is low. Under the income category of Rs. 30001-40000, 64.4 percent respondents have moderate risk taking capacity, 23.3 percent have risk bearing attitude and 12.2 percent have a risk-averse attitude. Under the Income group of Rs.40000-50000, 78.1 percent, 12.5 percent respondents are moderate risk bearers and risk-averse respectively.And 9.4 percent are willing to take more risk. The respondents have a monthly income of above Rs. 50000, 28.6 are risk bearers and 71.4 percent are moderate risk bearers.

Ho= there is no significant association between the monthly income and risk-taking capacity of investors in mutual fund

To test the hypothesis, the chi-square test was applied. The result found that $p=0.069$, $p > 0.05$, the hypothesis accepted. Hence we can conclude that there is no significant association between the income and risk-taking capacity of investors.

5.7. Investor's Preference towards various SIP Schemes

There are various schemes available for investors under Systematic Investment Plan. The investors were asked to rank the scheme according to their order of preferences. The following table presents the result.

Table 5.18

Selection of Systematic Investment Plans Schemes

Sip Schemes	Highest Frequent Rank	Weighted Average Score	Rank
Equity SIP	1	6.51	1
ELSS SIP	1	5.39	2
Balanced SIP	3	5.28	3
Hybrid SIP	5	3.16	5
Fixed Income SIP	3	4.15	4
Liquid SIP	7	2.03	6

Source: Survey data

The table reveals that the most preferred SIP scheme among respondents is equity SIP schemes followed by ELSS SIP with weighted average scores of 6.51 and 5.39 respectively. Least preferred scheme among the respondents is liquid SIP/money market scheme with weighted average scores of 2.03. The mutual fund industry should take necessary action to increase the preference of investors towards money market.

5.8. Investors Preference towards the Characteristics of Systematic Investment Plans

The characteristic of financial assets plays an important role while choosing various instruments for investment. The important features of SIP are easiness, portfolio diversification, the advantage of compounding, professional management, risk protection, regular income, minimum deposit requirement, rupee cost averaging, monthly investment option and electronic clearing system. The investors were asked to rate their preferences on five-point scale (5 =Most Preferred, 4 =Preferred, 3=Neutral, 2 =Not Preferred, 1=Not at all Preferred)

Table 5.19

Characteristics of Systematic Investment Plans Preferred among Investors

Characteristics	Mean	SD
Easy to invest	4.2311	.61526
Portfolio diversification	3.6778	.69724
Advantage of compounding	3.6044	.84367
Professional management	3.7044	.83318
Reduction of risk	3.1067	.73548
Regular income	3.7778	.89016
Monthly investment option	4.0733	.63418
Rupee cost averaging	3.6467	.72931
Minimum deposit requirement	3.9244	.62863
Electronic clearing systems	3.3422	.85378

Source: Survey data

It is clear from the analysis that most preferred characteristics of SIP among the respondents is easy to invest (mean score 4.23) followed by monthly investment option (mean score 4.07) and minimum deposit requirement (mean score 3.92).The least preferred characteristic is reduction of risk (mean score 3.1)

5.9. Perception of Investors towards Systematic Investment Plan

To understand the investor's perception towards the Systematic Investment Plan, various statements are developed with the help of expert's in the field. The reliability scale of the entire constructs was 0.715. The statements are 'close ended schemes are less risky', 'SIPs helps in reducing unsystematic risk', 'higher tax shield should be provided for SIPs', 'SIP schemes are healthy for Indian business environment', 'SIP schemes are better than one time investments', 'SIP investments is better than directly trading in equity', 'Regulatory bodies perform well', 'SIP schemes diversify the risk of investor', 'mutual fund with large corpus perform well', 'the investor who has control over his investment can make his own investment decision', 'choice of SIP schemes completely depends on the investor's risk profile', 'SIP scheme is useful for small investor', 'SIP schemes are the cheapest way to equity exposure', 'it provides the benefit of cheap access to expensive stocks', 'SIP schemes like owning any other assets'. The investors were asked to rate their agreement on 15 variable under this construct on 5 points Likert scale (5=strongly agree, 4= agree, 3=neutral, 2= disagree, 1= strongly disagree). The following table indicates the result.

Table 5.20

Investor's Perception towards Systematic Investment Plan

Investor related factors	Mean	S.D
Close-ended schemes are less risky	3.2400	.66420
SIP schemes help in reducing unsystematic risk	4.0356	.83015
Higher tax shield should be provided for mutual funds	4.1178	.78226
SIP schemes are healthy for Indian business environment	4.0778	.82050
SIP schemes are better than one time investments	3.7689	.68708
SIP investment is better than directly trading in equity	3.8000	1.01218
Regulatory bodies perform well	3.5044	.54321
SIP schemes diversify the risk of investor	4.2956	.63613

Investor related factors	Mean	S.D
Mutual fund with large corpus perform well	3.5933	.73503
The investor who has control over his investment can make his own investment decision without advice from others	4.0311	.54948
Choice of SIP scheme completely depends on investor's risk profile	4.2244	1.46703
SIP scheme is useful for small investor	4.3956	.70882
SIP schemes are the cheapest way to equity exposure	4.1600	.61619
It provides the benefit of cheap access to expensive stocks	4.0956	.58734
SIP schemes are like owning any other asset	3.4667	.57799

Source: Survey data

The table reveals that the investors agreed that SIP schemes are useful for small investors with a mean score of 4.39 followed by SIP schemes diversify the risk of investors (mean score 4.29). Most of the investors disagree that closed-ended schemes are less risky (mean score 3.24).

5.9.1 Factor Analysis on Perceptual Factors of Systematic Investment Plans

To study the investor's perception of Systematic Investment Plan, Principal Component Analysis was used to extract important factors from 15 variables. The selected attributes are measured with the help of five points Likert scale ranging from strongly agree to strongly disagree. The KMO statistic is 0.715 is greater than required of 0.5. The following table exhibits the perceptual factors and their respective labels in factor analysis.

Table 5.21**Perceptual Factors on Systematic Investment Plans and Respective Labels Used in Factor Analysis**

Sl no	Product attributes of factors	Labels
1	Close-ended schemes are less risky	A1
2	SIP schemes help in reducing unsystematic risk	A2
3	Higher tax shield should be provided for mutual funds	A3
4	SIP schemes are healthy for Indian business environment	A4
5	SIP schemes are better than one time investments	A5
6	SIP investment is better than directly trading in equity	A6
7	Regulatory bodies perform well	A7
8	SIP schemes diversify the risk of investor	A8
9	Mutual fund with large corpus perform well	A9
10	The investor who has control over his investment can make his own investment decision without advice from others	A10
11	Choice of SIP scheme completely depends on investor's risk profile	A11
12	SIP scheme is useful for small investor	A12
13	SIP schemes are the cheapest way to equity exposure	A13
14	It provides the benefit of cheap access to expensive stocks	A14
15	SIP schemes are like owning any other asset	A15

Table 5.22**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.715
Bartlett's Test of Sphericity	Approx. Chi-square	4551.036
	Df	105
	Sig	.000

The significance of correlation matrices is tested with Bartlett Test of Sphericity (approx chi-square = 4551.036 at 105 degrees of freedom and significant at .000) provide support for the validity of the factor analysis of the dataset.

Table 5.23
Communalities

Factors	Initial	Extraction
A1	1.000	.425
A2	1.000	.794
A3	1.000	.847
A4	1.000	.910
A5	1.000	.625
A6	1.000	.800
A7	1.000	.452
A8	1.000	.519
A9	1.000	.618
A10	1.000	.695
A11	1.000	.999
A12	1.000	.658
A13	1.000	.553
A14	1.000	.564
A15	1.000	.640

Extraction Method: Principal Component Analysis

Varimax rotation was used for the extraction of variables. As per it, the only the factors having Eigenvalues greater than one are considered significant. In this study, there are only four factors have Eigenvalues greater than one. The percentage of total variance is 67.323 and contributed by the first component is 30.874, the second component is 22.883, the third component is 12.957 and fourth component is 9.276.

Table 5.24
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	%ofVariance	Cumulative%	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.830	30.874	30.874	4.249	28.327	28.327	4.488	29.917	29.917
2	2.098	22.883	53.758	1.470	9.797	38.123	2.801	18.676	48.593
3	1.188	12.957	66.714	2.657	17.710	55.834	1.773	11.820	60.413
4	.850	9.276	75.990	1.723	11.489	67.323	1.037	6.910	67.323
5	.586	6.394	82.384						
6	.525	5.728	88.112						
7	.257	2.800	90.912						
8	.222	2.426	93.337						
9	.149	1.629	94.966						
10	.137	1.489	96.455						
11	.090	.983	97.439						
12	.077	.845	98.284						
13	.072	.781	99.065						
14	.049	.531	99.596						
	.037	.404	100.000						

Extraction Method: Principal Component Analysis

The first factor explained 30.874% of the variance and consists of six variables (A14, A12, A6, A15, A7, A3). The factor loadings ranging from 0.659 to 0.902 with Eigenvalue of 4.591. The first factor includes the variables of SIP schemes are healthy for Indian business environment, SIP scheme is useful for the small investor, SIP investment is better than directly trading in equity, SIP schemes are like owning any other asset, regulatory bodies perform well and Higher tax shield should be provided for mutual funds. The factor has been named as *Security and cost-effectiveness*.

Table 5.25
Component Matrix

	Component			
	1	2	3	4
A1	-.270	-.334	.134	.472
A2	.528	.314	.617	-.190
A3	.564	-.038	-.094	.720
A4	.885	.323	-.151	.023
A5	-.335	-.013	.709	-.097
A6	.781	.368	.057	-.225
A7	.622	.212	-.064	.124
A8	.072	.215	.332	-.598
A9	-.535	-.075	.570	.015
A10	-.031	-.009	.795	.250
A11	.453	-.882	.070	-.108
A12	.739	.281	.150	.103
A13	.274	.186	.466	.476
A14	-.176	-.117	.629	.351
A15	.733	.132	.089	.279

Extraction Method: Principal Component Analysis.

a. 5 components extracted.

Based on importance, the second factor explained 22.883% of the variance and includes five variables (A10, A14, A5, A9, A13). The factor loading ranges from 0.530 to 0.827. The variables are the investor who has control over his investment

can make his own investment decision without advice from others, it provides the benefit of cheap access to expensive stocks, mutual fund with large corpus perform well, SIP schemes are the cheapest way to equity exposure, and SIP schemes are better than one time investments. The factor has been named as *Better investment option*

Table 5.26
Rotated Component Matrix

	Component			
	1	2	3	4
A1	-.234	.324	-.502	.117
A2	.599	.424	.506	.016
A3	.659	.038	-.635	.087
A4	.902	-.291	.106	.018
A5	-.264	.692	.277	-.020
A6	.785	-.156	.399	.011
A7	.659	-.132	-.013	.009
A8	.028	.112	.711	-.010
A9	-.454	.630	.096	-.075
A10	.104	.827	.021	.027
A11	.099	-.016	-.084	.991
A12	.803	.041	.104	.016
A13	.467	.530	-.203	-.115
A14	-.056	.729	-.166	.032
A15	.783	.043	-.116	.106

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 7 iterations.

The third factor has been named as *risk protection* and it includes the variables of SIP schemes diversify the risk of investor and SIP schemes helps in reducing unsystematic risk with a factor loading of 0.711 and 0.506 respectively. The fourth factor includes only one statement namely ‘Choice of SIP scheme completely depends on investor’s risk profile and the factor has been named as *Investor Choice*.

Table 5.27
Component Transformation Matrix

Component	1	2	3	4
1	.908	-.165	.095	.372
2	.333	-.030	.281	-.900
3	.095	.938	.317	.103
4	.234	.304	-.901	-.205

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 5.28
Summary of Perceptual Factors on Systematic Investment Plans

Variables	Label	Factor loading	Factor Name
SIP schemes are healthy for Indian business environment	A4	0.902	Security and Cost Effectiveness
SIP scheme is useful for small investor	A12	0.803	
SIP investment is better than directly trading in equity	A6	0.785	
SIP schemes are like owning any other asset	A15	0.783	
Regulatory bodies perform well	A7	0.659	
Higher tax shield should be provided for mutual funds	A3	0.659	Better Investment Option
The investor who has control over his investment can make his own investment decision without advice from others	A10	0.827	
It provides the benefit of cheap access to expensive stocks	A14	0.729	
SIP schemes are better than one time investments	A5	0.692	
Mutual fund with large corpus perform well	A9	0.630	
SIP schemes are the cheapest way to equity exposure	A13	0.530	Risk
SIP schemes diversify the risk of investor	A8	0.711	

Variables	Label	Factor loading	Factor Name
SIP schemes help in reducing unsystematic risk	A2	0.506	Protection
Choice of SIP scheme completely depends on investor's risk profile	A11	0.991	Investor Choice

Source: survey data

5.10. Factors Affecting the Fund Selection Behavior of Mutual Fund Investors

Tapan K. Panda and Nalini Prava Tripathy (2002), Kavitha Ranganathan (2006), Basil John Thomas(2013), and Sindhu (2013) associated some variables that could influence the investors in their investment decisions of mutual funds. They also grouped these variables into three heads namely fund quality, fund sponsor quality, and investor services. To understand the factors which affect the fund selection behavior of investors, mainly the factors were clubbed into three heads namely scheme related factors, fund sponsor related factors and investor-related factors. The following table exhibits the result. One of the important objectives of the study was to understand the factors influencing the fund selection behavior of investors.

5.10.1. Importance of Schemes' Related Factors on the Investor's Fund Selection

Table 5.29 depicts the importance of scheme related factors on the fund selection of investors. The investors' were asked to rate their importance on 5 points Likert scale from not at all important to highly important. Mainly the investors were asked to rate their importance on 15 variables under scheme related factors. The Cronbach's alpha coefficient of the scale was 0.793.

Table 5.29**Importance of Schemes' Related Factors on Investor's Fund Selection**

Scheme Related Factors	Mean	S.D	T value
Return of the scheme	4.5933	.51390	65.770
Innovation in scheme	3.5178	.69095	15.897
Fund's brand name	4.4289	.53264	39.089
Risk of scheme	3.2889	1.02142	6.000
Expense ratio of scheme	3.4467	.87685	10.806
Maturity profile of assets in portfolio	2.9733	.87743	-.645
Good rating by rating agency	3.2289	.87711	5.536
Options available for the scheme	3.1756	.76262	4.883
Tax advantages of the scheme	3.7022	.93924	15.860
Withdrawal and transfer facilities	3.6778	.59747	24.065
Growth prospects of the scheme	3.4600	.85961	11.352
Schemes portfolio investment	3.8644	.69476	26.394
Minimum initial investment of the scheme	4.1889	.86370	29.200
Period of fund	3.2000	.83892	5.057
Liquidity	3.0689	1.02188	1.430

** Significant at 0.05 levels

Source: Survey Data

It is clear from the table that investors' were more crucial about the return of the scheme (mean score 4.59) followed by funds' brand name (mean score 4.42). The investors were least bothered about maturity profile of assets in a portfolio with mean scores of 2.97.

5.10.2. Importance of Fund Sponsor Related Factors on Investors' Fund Selection

The investors were asked to rate their importance on 12 variable under this construct on 5 points Likert scale (5= highly important, 4= important, 3=no opinion, 2= unimportant, 1= highly unimportant). The following table indicates the result.

Table 5.30**Importance of Fund Sponsor' Related Factors on Investors Fund Selection**

Fund Sponsor Related Factors	Mean	S.D	T value
Reputation/brand name of AMC	4.6200	.70950	48.436
Experience of AMC	3.5889	1.16266	10.745
Location of AMC	2.3600	.97139	-13.976
Expertise of AMC for managing money	3.6444	.82704	16.530
Infrastructure of AMC	2.5133	.89843	-11.491
Service quality of AMC	3.7311	.91079	17.028
No of fund offered by AMC	2.9889	.79942	-.295
AMC's innovativeness in launching scheme	3.3422	.76577	9.480
Research &Development of AMC	4.0289	1.05592	20.670
Well developed agency network	3.5689	1.03864	11.619
Ownership of the company(public/private)	2.9089	.98684	-1.959
Net worth of AMC	3.5356	.98760	11.504

** Significant at 0.05 levels

Source: Survey Data

The investors assigned the highest importance to reputation or brand name of AMC (mean score=4.62, SD=0.71) followed by research and developments of AMC(mean score=4.02, SD=1.05).The investors assigned the lowest importance to location of AMC(Mean Score =2.36, SD=0.97)

5.10.3. Importance of Investor Related Factors on Investors' Fund Selection

The investors were asked to rate their importance on 12 variable under this construct on 5 points Likert scale (5= highly important, 4= important, 3=no opinion, 2= unimportant, 1= highly unimportant).The following table indicates the result.

Table 5.31**Importance of Investor Related Services on Fund Selection**

Investor related factors	Mean	S.D	T value
Well explained scheme's features and risk in offer document	4.5333	.81741	39.793
Simple and well-explained account statement	4.3844	.64101	45.816
Easier investing process	3.9644	.95957	21.321
Multichannel investing avenues	3.2933	.83796	7.426
Disclosure of NAV on every trading day	4.1733	.78471	31.719
Speed of handling investor grievances	4.0089	.63310	33.805
Supporting of AMC	3.4289	.67111	13.557
Responsiveness	3.2822	1.00462	5.959
Well informed websites	3.8711	.75291	24.544
Wider management facilities	2.9000	1.09107	-1.944
Prompt and transparent services	3.5689	.74971	16.097
Any time mutual fund	3.2578	.83639	6.538
Electronic clearing services	3.5400	.91240	12.555
Online trading	3.5156	.77888	14.041

** Significant at 0.05 levels

Source: Survey Data

The investors assigned the highest importance to well-explained scheme's features and risk in offer documents (mean score=4.53, SD=0.82) followed by simple and well-explained account statement (mean score=4.38, SD=0.64). The mutual fund investors assigned the lowest importance to wider management facilities (Mean score 2.9, SD=1.09).

5.10.4. Factor Analysis of Scheme Related Factors

To ascertain the various factors under the scheme which influence the fund selection behavior of investors, 15 variables are identified after reading a various review of the literature and after making discussions with the experts in this field. This section includes the factor analysis on the variables relating to the importance

of scheme related factors on mutual fund selection behavior. Fund selection behavior means the behavior exhibited by the investors while searching, evaluating and selecting a mutual fund for investments. The identified 15 variables and their labels' depicted in the following table.

Table 5.32

Importance of Scheme Related Factors on Fund Selection Behavior in Mutual Fund and Respective Labels Used in Factor Analysis

Sl no	Product attributes of Scheme-related factors	Labels
1	Return of the scheme	A1
2	Innovation in scheme	A2
3	Expense ratio of scheme	A3
4	Risk of scheme	A4
5	Fund's brand name	A5
6	Maturity profile of assets in portfolio	A6
7	Good rating by rating agency	A7
8	Options available for the scheme	A8
9	Tax advantages of the scheme	A9
10	Withdrawal and transfer facilities	A10
11	Growth prospects of the scheme	A11
12	Schemes portfolio investment	A12
13	Minimum initial investment of the scheme	A13
14	Period of fund	A14
15	Liquidity	A15

The selected attributes are measured with the help of five points Likert scale ranging from most important to least important. Principal Component Analysis was used to identify the important factor in selecting mutual funds for their investment. Kaiser-Meyer-Olkin test and Bartlett's Test of Sphericity measure of sampling adequacy are used to measure the appropriateness of factor analysis. The approximate chi-square statistic is 3764.786 with 105 degrees of freedom, which is significant at 0.05 levels. The KMO statistic is 0.793 is greater than required of 0.5.

Table 5.33**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.793
Bartlett's Test of Sphericity	Approx. Chi-square	3764.786
	Df	105
	Sig	.000

Table 5.34**Communalities**

Factors	Initial	Extraction
A1	1.000	.835
A2	1.000	.906
A3	1.000	.728
A4	1.000	.768
A5	1.000	.707
A6	1.000	.827
A7	1.000	.808
A8	1.000	.654
A9	1.000	.637
A10	1.000	.684
A11	1.000	.852
A12	1.000	.528
A13	1.000	.809
A14	1.000	.673
	1.000	.709

Extraction Method: Principal Component Analysis

Table 5.35
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.915	32.769	32.769	4.915	32.769	32.769	4.196	27.971	27.971
2	2.113	14.090	46.858	2.113	14.090	46.858	2.138	14.253	42.225
3	1.781	11.872	58.730	1.781	11.872	58.730	2.051	13.676	55.900
4	1.221	8.138	66.869	1.221	8.138	66.869	1.383	9.223	65.123
5	1.097	7.313	74.181	1.097	7.313	74.181	1.359	9.058	74.181
6	.991	6.609	80.790						
7	.752	5.012	85.802						
8	.523	3.486	89.288						
9	.346	2.306	91.594						
10	.340	2.266	93.860						
11	.247	1.645	95.506						
12	.220	1.464	96.970						
13	.178	1.189	98.159						
14	.159	1.059	99.219						

Extraction Method: Principal Component Analysis.

By analyzing the communality table, the communalities are high and it means that the extracted factors represent the variable correctly. The table 5.35 gives the total variance contributed by each component with Eigenvalues. According to the Kaiser's criterion, retain only the variables which have eigenvalues greater than one. It is interpreted from the 5.35 that the percentage of total variance contributed by the first component is 32.769, second component is 14.090, the third component is 11.872, the fourth component is 8.138, the fifth component is 7.313. The percentage of total variance contributed by all the five components together is 74.181.

Table 5.36
Component Matrix

	Component				
	1	2	3	4	5
A1	.793	.012	-.348	.218	.194
A2	.452	-.099	-.161	.003	.816
A3	.063	-.088	.426	.717	.144
A4	.819	.036	.049	.278	-.128
A5	.034	.613	-.529	.029	-.223
A6	.724	.251	-.420	.121	-.223
A7	.001	.863	-.217	-.040	.125
A8	.480	.134	.510	-.381	.006
A9	.722	-.173	.113	-.252	-.096
A10	.103	.543	.598	-.116	-.086
A11	.728	.319	.465	-.039	-.044
A12	-.126	.437	.264	.500	.043
A13	-.547	.513	.022	-.232	.438
A14	.801	.009	-.160	-.060	-.045
A15	.795	-.115	.063	-.184	.164

Extraction Method: Principal Component Analysis.
a. 5 components extracted.

Table 5.37
Rotated Component Matrix

	Component				
	1	2	3	4	5
A1	.794	-.062	.132	.426	.043
A2	.231	-.004	-.031	.923	.000
A3	.075	.009	-.284	.067	.798
A4	.813	.232	-.026	.074	.219
A5	.185	-.161	.780	-.175	-.085
A6	.823	-.006	.380	.011	-.069
A7	-.060	.179	.869	.101	.081
A8	.194	.762	-.117	.088	-.122
A9	.598	.385	-.228	.112	-.258
A10	-.116	.737	.218	-.149	.241
A11	.502	.746	.051	.082	.184
A12	-.118	.109	.269	-.076	.651
A13	-.712	.104	.476	.254	-.004
A14	.755	.198	.050	.193	-.157
A15	.615	.365	-.157	.377	-.176

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 7 iterations.

Table 5.38
Component Transformation Matrix

Component	1	2	3	4	5
1	.892	.360	-.038	.268	-.045
2	-.087	.377	.895	-.054	.217
3	-.264	.746	-.445	-.120	.402
4	.228	-.414	-.020	-.056	.879
5	-.275	-.010	.004	.953	.127

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

On the basis of varimax rotation with Kaiser Normalisation five factors have been emerged and it is presented in table 5.35 and 5.36. Each factor is constituted by all those variables that have factor loading greater than or equal to 0.5. After rotation factor one account for 32.769percent of the variance: factor two accounts for 14.090 percent of variance; factor three accounts for 11.872 percent; factor four accounts for 8.138 percent of variance; factor five accounts for 7.313; and all the five factors together explained for 74.181 percent of the variance. The identified factors with the associated variables, factor loadings, and factor names are given in the 5.39.

Table 5.39

Summary of Factors for Mutual Fund Schemes as Selection Criteria

Variables	Label	Factor Loading	Factor Name
Maturity profile of the scheme	A6	.823	Core of the Product
Risk of the scheme	A4	.813	
Return of the scheme	A1	.794	
Period of the fund	A14	.755	
Liquidity	A 15	.615	
Tax advantages	A9	.598	
Options available for the scheme	A8	.762	Fund Quality
Growth prospects of the scheme	An 11	.746	
Withdrawal and transfer facilities	A 10	.737	
Good rating by rating agency	A7	.869	Third Party Assessment
Fund's brand name	A3	.780	
Innovation in scheme	A2	.923	Innovation
Expense ratio of the scheme	A5	.798	Asset Profile
Scheme's portfolio investment	A12	.651	

Source: survey data

Principle Component Analysis with Varimax rotation was used to extract factors for the entire construct. The MSA values greater than 0.5 were taken for the study. Then the factors have been given appropriate names on the basis of extracted variables. The first and most important factor consists of 6 variables (A6, A4, A1, A14, A15, A9). The factors values range from 0.598 to 0.823. The factors explained with Eigenvalues with 4.398 and form a very important construct in the mutual fund scheme. The factor has been named as the *core of the product*. The factor consists of the characteristics of a mutual fund like maturity profile of the scheme, risk of the scheme, return of the scheme, period of fund, liquidity and tax advantages. Scheme's characteristics played a vital role in the selection of mutual fund.

The second factor includes three variables (A8, A11, A10). The factor loading ranged from 0.737 to 0.762. The Eigenvalues of the factor were 2.245 and it consists the variables namely options available for the scheme, growth prospects of the scheme and withdrawal and transfer facilities with factor name *fund quality*. The third factor in terms of importance includes only 2 variables with Eigenvalues of 1.649. The factor loading of the variable ranged from 0.780 to 0.869. The factor has been named as *third-party assessment* with variables of good rating by the rating agency and fund's brand name.

The fourth factor named as innovation with only one variable named as *innovation* in a mutual fund with Eigenvalues of 0.923 and last factor includes two variables (A5, A12). The factor loading ranged from 0.651 to 0.798. The factor explained Eigenvalues of 1.449 and forms another construct in a mutual fund scheme namely *asset profile*. The asset profile factor consists of expense ratio of the scheme and scheme's portfolio investment.

5.10.5. Factor Analysis on Fund Sponsor Related Factors

Characteristics of asset management companies are very important in the fund selection of mutual fund. There are twelve variables are studied under this construct based on various reviews. In order to derive various factors under the

qualities of the fund manager, factor analysis was employed on 450 investors. The variables and their labels are exhibited in the following table.

Table 5.40

Importance of Sponsors' Related Factors on Fund Selection Behavior in MF and Respective Labels Used in Factor Analysis

Sl no	Product Attributes Of Factors	Labels
1	Reputation/brand name of AMC	B1
2	Experience of AMC	B2
3	Location of AMC	B3
4	Expertise of AMC for managing money	B4
5	Infrastructure of AMC	B5
6	Service quality of AMC	B6
7	No of fund offered by AMC	B7
8	AMC's innovativeness in launching scheme	B8
9	Research &Development of AMC	B9
10	Well developed agency network	B10
11	Ownership of the company(public/private)	B11
12	Net worth of AMC	B12

Table 5.41

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.699
Bartlett's Test of Sphericity	Approx. Chi-square	2773.716
	Df	66
	Sig	.000

The test proves the sampling adequacy. The KMO statistic was .699 was higher than actually required of 0.5. Bartlett's test Sphericity was also significant with chi-square values of 2773.716 at 66 degrees of freedom.

Table 5.42
Communalities

Factors	Initial	Extraction
B1	1.000	.679
B2	1.000	.867
B3	1.000	.805
B4	1.000	.504
B5	1.000	.536
B6	1.000	.565
B7	1.000	.386
B8	1.000	.674
B9	1.000	.780
B10	1.000	.702
B11	1.000	.588
B12	1.000	.713

Extraction Method: Principal Component Analysis

By analyzing the communality table, the communalities are high and it means that the extracted factors represent the variable correctly. The table 5.43 gives the total variance contributed by each component with Eigenvalues. According to the Kaiser's criterion, retain only the variables which have eigenvalues greater than one. It is interpreted from the table 5.43 that the percentage of total variance contributed by the first component is 32.867, the second component is 24.693, the third component is 9.731. The percentage of total variance contributed by all the five components together is 64.998.

Table 5.43
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.447	32.867	32.867	3.912	32.604	32.604	2.747	22.889	22.889
2	2.590	24.693	57.560	2.615	21.788	54.392	2.632	21.935	44.824
3	1.021	9.731	67.291	1.273	10.606	64.998	2.421	20.174	64.998
4	.896	8.545	75.837						
5	.716	6.823	82.659						
6	.470	4.477	87.137						
7	.354	3.379	90.516						
8	.289	2.752	93.268						
9	.220	2.097	95.365						
10	.212	2.023	97.388						
11	.147	1.404	98.792						
12	.127	1.208	100.000						

Extraction Method: Principal Component Analysis

Table 5.44
Component Matrix

	Component		
	1	2	3
B1	.603	.126	-.548
B2	-.202	.851	-.319
B3	-.339	.752	.354
B4	.522	.274	-.395
B5	-.017	.607	.410
B6	.646	-.048	.382
B7	.045	.567	.250
B8	.749	-.293	.166
B9	.839	.041	-.272
B10	.708	.417	.162
B11	.590	.488	-.054
B12	.766	-.206	.289

Extraction Method: Principal Component Analysis.
a. 5 components extracted.

Table 5.45
Rotated Component Matrix

	Component		
	1	2	3
B1	.106	.800	-.166
B2	-.575	.403	.612
B3	-.259	-.170	.842
B4	.093	.702	.039
B5	.059	-.054	.728
B6	.730	.143	.111
B7	.024	.077	.616
B8	.749	.262	-.210
B9	.471	.737	-.122
B10	.521	.506	.418
B11	.285	.600	.384
B12	.811	.224	-.076

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.^a
a. Rotation converged in 7 iterations.

Table 5.46**Component Transformation Matrix**

Component	1	2	3
1	.764	.644	-.037
2	-.275	.378	.884
3	.584	-.665	.466

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

The variables with a factor loading of greater than 0.5 have been taken for the consideration. After analyzing constituent variables and give names accordingly. The factor names, their constituent variables, the factor loadings explained by the factors have been summarized in 5.47.

Table 5.47**Summary of Factors for Mutual Fund Sponsor as Selection Criteria**

Variables	Label	Factor Loading	Factor Name
Net worth of AMC	B12	.811	Networth and Innovativeness
AMC's innovativeness in launching schemes	B8	.749	
Service quality of AMC	B6	.730	
Reputation or brand name of AMC	B1	.800	Fund Sponsor Quality
Research and developments of AMC	B9	.737	
Expertise of AMC for managing money	B4	.702	
Ownership of the company	B11	.600	
Well developed agency network	B10	.506	
Location of the AMC	B3	.842	Location and Infrastructure
Infrastructure of AMC	B5	.728	
No of fund offered by AMC	B7	.616	
Experience of AMC	B2	.612	

Source: survey data

The first factor consists of three variables (B12, B8, B6) with Eigenvalues ranged from 0.521 to 0.811. The first factor is designated as *net worth and innovativeness*. It includes the variables, namely, the net worth of AMC, AMC's innovativeness in launching schemes and service quality of AMC. The first factor can be named as net worth and innovativeness. The second factor contains five variables (B1, B9, B4, B11, B10) and Eigenvalues range from 0.506 to 0.800. The factors explained with Eigenvalues of 3.345 and form a very important construct in the mutual fund sponsoring company. The factor has been named as *fund sponsor qualities*. The factor consists of reputation or brand name of AMC, research, and developments of AMC, the expertise of AMC'S for managing money, ownership of the company and well-developed agency network. The third factor involves the variables of location, infrastructure, no of fund offered by AMC and experience of AMC. It can be named as the *location and infrastructure*.

5.10.6. Factor Analysis of Investor Related Services

Investor related Services are the services offered by the asset management companies to their investors. Well explained schemes features and risk in offer document, simple and well explained account statement, easier investing, multi-channel investing avenues, disclosure of NAV on every trading day, speedy handling of investor grievances, responsiveness, well informed websites, wider management facilities, prompt and transparent service, any time mutual fund, electronic clearing system, and online trading were the variables under investor related services. In order to derive various factors under the investor related services, factor analysis was conducted on these 14 variables. The variables and their labels are exhibited in the following table.

Table 5.48**Importance of Investor Related Services on Fund Selection Behavior in MF and Respective Labels Used in Factor Analysis**

Sl no	Product Attributes of Factors	Labels
1	Well explained scheme's features and risk in offer document	C1
2	Simple and well-explained account statement	C2
3	Easier investing process	C3
4	Multichannel investing avenues	C4
5	Disclosure of NAV on every trading day	C5
6	Speed of handling investor grievances	C6
7	Supporting of AMC	C7
8	Responsiveness	C8
9	Well informed websites	C9
10	Wider management facilities	C10
11	Prompt and transparent services	C11
12	Any time mutual fund	C12
13	Electronic clearing services	C13
14	Online trading	C14

Table 5.49**KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.777
Bartlett's Test of Sphericity	Approx. Chi-square	3751.036
	Df	91
	Sig	.000

The test proves the sampling adequacy. The KMO statistic was 0.777 was higher than actually required of 0.5. Bartlett's test Sphericity was also significant with chi-square values of 3751.036 at 91 degrees of freedom.

Table 5.50
Communalities

Factors	Initial	Extraction
C1	1.000	.850
C2	1.000	.734
C3	1.000	.836
C4	1.000	.598
C5	1.000	.747
C6	1.000	.493
C7	1.000	.456
C8	1.000	.602
C9	1.000	.632
C10	1.000	.806
C11	1.000	.577
C12	1.000	.595
C13	1.000	.773
C14	1.000	.347

Extraction Method: Principal Component Analysis

By analyzing the communality table, the communalities are high and it means that the extracted factors represent the variable correctly. The table 5.51 gives the total variance contributed by each component with Eigenvalues. According to the Kaiser's criterion, retain only the variables which have eigenvalues greater than one. It is interpreted from the 5.51 that the percentage of total variance contributed by the first component is 30.393, the second component is 19.031, the third component is 15.196. The percentage of total variance contributed by all the five components together is 64.620.

Table 5.51
Total Variance Explained

Component	Initial Eigen Values			Extraction Sums Of Squared Loadings			Rotation Sums Of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.255	30.393	30.393	4.255	30.393	30.393	3.829	27.352	27.352
2	2.664	19.031	49.424	2.664	19.031	49.424	2.649	18.920	46.272
3	2.127	15.196	64.620	2.127	15.196	64.620	2.569	18.348	64.620
4	1.172	8.370	72.990						
5	.892	6.374	79.364						
6	.661	4.718	84.082						
7	.536	3.832	87.914						
8	.436	3.117	91.031						
9	.328	2.345	93.376						
10	.282	2.012	95.387						
11	.204	1.456	96.843						
12	.197	1.409	98.253						
13	.140	1.002	99.255						
14	.104	.745	100.000						

Extraction Method: Principal Component Analysis

Table 5.52

Component Matrix

	Component		
	1	2	3
C1	-.032	.780	.490
C2	.521	.459	.501
C3	.293	.693	-.520
C4	.674	.171	-.339
C5	.461	.582	.443
C6	.615	.225	-.253
C7	.594	-.187	-.263
C8	.700	-.335	.015
C9	.631	.003	.484
C10	.780	-.264	-.358
C11	.388	.527	-.385
C12	.355	-.357	.584
C13	.661	-.519	.259
C14	.540	-.232	-.042

Extraction Method: Principal Component Analysis.

a. 5 components extracted.

Table 5.53

Rotated Component Matrix

	Component		
	1	2	3
C1	-.468	.776	.168
C2	.168	.831	.122
C3	-.050	.130	.904
C4	.523	.125	.555
C5	.059	.833	.224
C6	.437	.193	.514
C7	.628	-.052	.243
C8	.768	.110	-.011
C9	.493	.609	-.132

	Component		
	1	2	3
C10	.836	-.088	.315
C11	.103	.174	.732
C12	.430	.368	-.524
C13	.805	.167	-.312
C14	.585	.061	.045

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 7 iterations.

Table 5.54

Component Transformation Matrix

Component	1	2	3
1	.858	.408	.313
2	-.506	.557	.658
3	-.094	.723	-.684

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

The variables with a factor loading of greater than 0.5 have been taken for the consideration. After analyzing the emerged variables and give names accordingly. The factor names, their constituent variables, the factor loadings explained by the factors have been summarized in 5.55.

Table 5.55

Summary of Factors for Investor Related Services as Selection Criteria

Variables	Label	Factor Loading	Factor Name
Wider management facilities	C10	0.836	Service Quality
Electronic clearing system	C13	0.805	
Responsiveness	C8	0.768	

Variables	Label	Factor Loading	Factor Name
Supporting of AMC	C7	0.628	
Online trading	C14	0.585	
Multichannel investing	C4	0.523	
Disclosure of NAV on every trading day	C5	0.833	Adequate Disclosure
Simple and well-explained account statement	C2	0.831	
Well explained scheme's features and risk in offer document	C1	0.776	
Well informed websites	C9	0.609	
Easier investing process	C3	0.904	Responsiveness
Prompt and transparent services	C11	0.732	
Speed of handling investor grievances	C6	0.514	

Source: survey data

Three factors respectively explained 30.393%, 19.031% and 15.196 % of total variance. In total all the three factors explained 64.620% of the variance. The first and the most important factor consist of 6 variables (C10, C13, C8, C7, C14, C4). The factor loadings of the variables ranged from 0.523 to 0.836. The factor has an Eigenvalue of 4.145 and therefore it can be considered as the most important factor within investor related services construct. The factor explained 30.393% of the variance and has been named as *service quality*. The factor includes variables like wider management facilities, electronic clearing system, responsiveness, supporting of AMC, online trading and multi-channel investing avenues.

Based on importance, the second factor explained 19.031% of the variance and consists of four variables (C5, C2, C1, C9).The factor loadings ranged from 0.609 to 0.833.The factor includes the variables of disclosure of NAV on every trading day, simple and well-explained account statement, well-explained scheme features in offer document and well-informed websites. The factor has been named as *adequate disclosure*. The third factor has an Eigenvalue of 2.15 and factor loading

ranged from 0.514 to 0.904. The third factor explained 15.196 % of the variance and includes three variables (C3, C11, C6). The factor includes the variables of easy investing process, prompt and transparent service and speed of handling investor grievances. The factor has been named as *responsiveness*.

In order to know the relation between with its sub-dimension of scheme related factors, fund sponsor related factors, investor related services and fund selection behavior of investors, the correlation was carried out and the result is exhibited in the Table 5.56.

Table 5.56

Correlation of the Fund Selection Factors with Sub Dimensions

Sub Dimensions	Correlation
Scheme related factors	0.810^{**}
Fund sponsor related factors	0.819^{**}
Investor related services	0.823^{**}

^{**} Significant at 0.01 level

Table 5.56 reveals that investor related services are the most influencing factors (correlation coefficient 0.823) of the fund selection behavior of mutual fund investors followed by the factor related to the fund sponsor (correlation coefficient of 0.819). The result suggests that the AMC should improve the investor related services and improve their service quality to attract more investments to a mutual fund.

From the analysis, it is clear that the investment decisions of mutual fund investors significantly influenced the fund selection behavior of investors. To understand the most influencing factors on the investment decision, multiple regressions were carried out by taking investment decisions as the dependent variable and scheme related factors, fund sponsor related factors and investor related services as the independent variables. The following table presented the result.

Table 5.57

Relationship between Factors Related to Schemes, Fund Sponsor, Investor Related Services and Investment Decision-Multiple Regression

Independent Variable	Coefficients		Standardized Coefficients	t	Sig.
	B	Std error			
Scheme related factors	0.533	0.053	0.422	8.128**	0.000
Fund sponsorr related factors	0.913	0.075	0.394	12.208**	0.000
Investor related services	0.888	0.055	0.484	16.223**	0.000
Adjusted R²=0.879					

** Significant at 0.01 levels

Source: Survey Data

The table reveals that investor related services are the most influencing factors on the investment decisions of mutual fund investors with a correlation coefficient of 0.484 at 1 percent level of significance. The second important factor influence the investment decisions are scheme related factors. The adjusted R² is 0.879 and the significant value is 0.000 and it is less than 0.01 and we reject the null hypothesis. Hence we can conclude that there exists a positive relationship between fund selection behaviors on investment decision.

5.11. Opinion of Intermediaries about the Marketing Aspects

Mutual fund sector is one of the fastest growing sectors of the Indian economy and it has a huge growth potential for economic growth. There is a need to identify the investors' expectation, needs, risk profile and problems faced by the industry. But the mutual fund penetration in India was comparatively low to other developing and developed countries. Marketing the fund is one of the hurdles in the mutual fund business. This section includes the opinion of brokers/financial advisors about the marketing problems of a mutual fund, factors affecting the penetration of mutual fund and how to improve the quality of distribution network. Questionnaires

were used to collect information from distributors. One hundred and five brokers/financial advisors are selected for the study.

5.11.1 Problems of Marketing Mutual Fund

Marketing is one of the crucial issues in every business. Investors in tier 1 cities are more aware of the mutual fund than tier 2 and tier 3 cities. Rural participation in mutual fund remains low. Distribution channel seems to play an important role in the penetration of mutual fund. There are various problems faced by mutual fund industry in connection with marketing. Based on a review of literature and discussion with experts, mainly 8 problems are identified and the opinions of intermediaries are collected with the help of a questionnaire. The brokers or advisers were asked to rate their opinion on a five-point Likert scale ranging from strongly agree to strongly disagree. The following table depicts the results.

Table 5.58

Marketing Problems of Mutual Fund

Statements	Mean	SD
The investors' are not aware of mutual fund products	2.7048	.78353
Lack of customer information is the biggest hurdle in selling mutual fund	2.9619	.75859
Nonavailability of quality distributors	4.2667	.71072
Strong regulatory platform	1.8857	.73791
Huge cost for entering into new region	3.8857	.68380
Agents also selling nonmutual fund products with mutual fund products	3.6286	.68581
Commission limit also another constraint for getting quality distributors	3.5333	.66603
Lack of improved technology	2.6762	.65772

Source: Survey Data

It is evident from the table that nonavailability of quality distributor is one of the key challenges faced by Indian mutual fund industry with mean score 4.27

followed by huge cost for entering into a new region. According to the opinion of intermediaries and fund houses, misselling also makes problem to the mutual fund industry with mean scores of 3.63 and commission limit imposes a certain restriction on the incentives of distributors (mean score 3.53, SD 0.67). Finding quality distributors in rural areas is very difficult. According to the opinion of brokers/intermediaries, the presence of strong regulatory platform doesn't make any problem in marketing the mutual funds.

5.11.2. Factors Affecting the Penetration of Mutual Funds in India

The Indian mutual fund industry is one of the competitive segments in the financial sector. Low demand for mutual fund continues to be low outside the T-15 cities. This section was carried out to gain a better understanding of the factors affects the penetration of mutual fund. It helps the fund house to solve the problems. Mamta Batra (2010), Rajesh Chakrabarti, Sarat Malik, Sudhakar Khairnar and Aadhar Verma point out various marketing problems. The factors are financial illiteracy, weaker distribution network, lack of innovation to support distributors, not reaching out to rural people, cost of entering to a new region, cutthroat competition, strong regulatory framework, negative attitude of customers, advertisement restriction, inadequate research, lack of awareness and lack of getting quality distributors. The intermediaries were asked to rate their opinion on a five-point Likert scale ranging from strongly agree to strongly disagree. The following table summarizes the result.

Table 5.59
Factors Affecting the Penetration of Mutual Funds

Factors	Mean	SD
Lack of financial literacy of customers	2.0952	.64337
Lack of innovation to support distributors	2.9619	.81952
Weaker distribution network	4.4476	.60417
Cost of entering into new region	3.4286	.78271
Not reaching out to rural people	3.6476	.69311
Cutthroat Competition	4.0571	.58554
Strong regulatory frame framework	2.3524	.58804
Negative attitude of customers	1.6286	.48550
Advertisement restrictions	3.3714	.77531
Inadequate research	3.1714	.79005
Lack of awareness programs	1.8190	.60098
Quality of the distributor is the problem in selling mutual fund	2.1714	.56257

Source: primary data

The table 5.59 reveals that weaker distribution network is the important factor which affects the penetration of mutual fund and hiring quality distributor also the major threats in the penetration of mutual fund. According to the opinion of distributors, nonavailability of quality distributor and weaker distribution network leads to the low penetration of mutual funds (mean score 4.4476). Another important factor which affects low penetration is cut-throat competition followed by not reaching out to rural people (mean score 3.65) and cost of entering into the region. Advertisement restrictions and inadequate research also make problem to the penetration of mutual fund. Negative attitude of customers had the least influence on the penetration of mutual fund.

5.12. Factors for Improving the Quality of Distribution

Distribution channel plays a crucial role in the penetration of mutual fund. There are various measures can be taken to improve the quality of the distribution network. The important factors are, distribution can be done through banks, distribution through IFAs, distribution through the post office, the introduction of mutual fund ATM, direct investment route, increase the offshore trading, introducing innovative technology in distribution channels, enhance CRM facility, online investment facility, and Employees Provident Fund organization should invest in mutual fund. Then the opinion of intermediaries is collected with the help of questionnaires. They were asked to rate their opinion on a five-point scale ranging from strongly agree to strongly disagree.

Table 5.60
Factors for Improving the Quality of Distribution

Statements	Mean	SD
If distribution is done through banks and cross selling of MF, it helps to reach out to rural people	4.2762	.56322
Distribution in MF is effective when it is done through the hands of IFAs	3.7619	.74063
Investing in mutual fund through ATM machine improve the customer response	2.7238	.64294
MF is available to rural people if it is distributing through post office	4.6095	.58004
Direct investment route enhance the distribution more effective	3.1429	.80178
Enhance cross boarder sales	2.6857	.46646
Create technology-driven distribution facility increases the MF business	3.2000	.77708
Enhance the CRM with customers as well as with channel partners	3.0000	.65044
Increase online investment facility improves the quality of distribution	2.6857	.46646
Employees provident fund organization should invest in mutual fund	2.3810	.62605

Source: primary data

It is clear from the table 5.60 that, the independent financial advisors and brokers strongly agree that if the distribution is carried through post office(mean score 4.6095) could be a positive step towards increasing the penetration of mutual funds and it helps the rural people to attract mutual fund investments. If this could be started by India post, this would be a significant step in the growth of mutual fund industry. India post is a loss-making enterprise and it helps to reduce their deficit by introducing the sale of mutual funds. The second important factor for improving the reach and quality of distribution is cross-selling of mutual fund products along with banking products. Marketing and distributions should be done through the network of public sector banks and private sector banks to reach out all people. Cross selling of MF along with basic banking products helps to reach out the mutual fund to rural areas. Partnering of AMC with banks should increase the strength of distribution network. Most of the respondents agree that distribution is effective if it is done through the hands of IFAs (mean score 3.76). Commission restriction and nonavailability of quality distributors are the important problems in mutual fund selling. At the same time, a large majority of the respondents feels that distribution is effective when it is done through direct investment route and using technology-driven distribution facility. Further, most of the respondents feel that introducing new channels like transactions through ATMs would not boost the penetration of AUM.

5.13. Conclusion

The present chapter has discussed the amount invested in Systematic Investment Plan, sources of information about Systematic Investment Plan, awareness of the risk involved in SIP, the risk tolerance of investors, selection of SIP schemes, characteristics of SIP preferred among respondents, and investor's perception towards Systematic Investment Plan. The investor's awareness level, risk tolerance, sources of influence, scheme selection, perception towards SIP plays an important role in the performance of MF industry. In Kerala, investor's awareness and knowledge are good about Systematic Investment Plan. Factor analysis was conducted to know the fund selection behavior of mutual fund investors in Kerala.

Under scheme related factors, five factors are emerged namely, the core of the product, fund quality, third-party assessment, innovation and asset profile. By analyzing the fund sponsor related factors, three factors are extracted has been named as net worth and innovativeness, fund sponsor quality and location and infrastructure. Three factors are merged after factor analysis of investor related services. The factors are service quality, adequate disclosure, and responsiveness. The study found that investor related services are the most influencing factors of the fund selection behavior of mutual fund investors followed by the factor related to the fund sponsor. Hence, the AMC should improve the investor related services and improve their service quality to attract more investors to mutual fund. Nonavailability of the quality distributor is one of the key challenges faced by Indian mutual fund industry followed by huge cost for entering into the new region is the important marketing problems faced by mutual fund industry. The independent financial advisors and brokers strongly agree that if the distribution is carried through post office could be a positive step towards increasing the penetration of mutual funds and it helps the rural people to attract mutual fund investments.

Chapter **6**

**SUMMARY, FINDINGS, SUGGESTIONS,
AND CONCLUSION**

6.1. Introduction

This chapter covers a brief summary of the study, major findings drawn from the analysis, suggestions based on the findings and conclusions of the study. The present chapter is also devoted to discussing the scope for further research.

6.2. Summary of the Study

The financial market plays an important role in the development of an economy and strong financial system is a necessary ingredient for a prosperous economy. Well functioning financial markets are inevitable for the investors to accumulate funds for the future use. One of the important functions of the financial market is to convert the savings of people into productive investments. The main role of the financial market is to facilitate the mobilization of financial resources from surplus areas to deficit areas. Since 1991, the array of savings and investment in India are increased. Without financial institution, the flowing of funds from suppliers of the fund to users of the fund is not possible. Indian mutual fund industry has taken a major step in the capital formation of a country.

Mutual funds provide an opportunity to investors to invest in a diversified and liquid portfolio with the services of professional managers. For small investors, Systematic Investment Plans are also able to enjoy the economies of scale by lower transaction costs and commissions. The important driving force to a mutual fund is that it offers capital appreciation plus interest and dividends. A mutual fund is nothing but a form of a collective investment scheme that collects money from investors and invests them in government and other corporate securities. And Systematic Investment Plan is one of the plans available in a mutual fund for investing the same amount in every month over an extended period of time regardless of market volatilities. Systematic Investment Plan enables millions of small and large investors to participate and derives the benefit of the security market.

In this context, following research questions have been raised from individual investor's perspective and intermediaries of mutual funds. The study has been undertaken to answer the following questions:

What are the investment decisions of mutual fund investors and their objectives of investing in the mutual fund?

What are the specific attitudes of mutual fund investors?

To what extent investors are aware of the concept of Systematic Investment Plan?

What are the factors that influence the fund selection behavior of mutual fund investors?

To what extent the investors are satisfied with the mutual fund?

What are the problems faced by intermediaries while marketing the mutual fund products?

Mutual funds have a strong regulation base and it is always looking for the investor confidence. But compared to the other savings tools of bank deposits, insurance, pension fund etc., mutual fund preference is comparatively low and mutual fund so far have not been able to create a rural sector investment base. There is always need to know the investment decision making in a mutual fund, their scheme preference, perception about mutual fund and Systematic Investment Plan, fund selection behavior of mutual fund investors. It is also necessary to identify their satisfaction towards the mutual fund.

By identifying the most influencing factor and their satisfaction, fund managers able to design the product according to the needs of investors. And also policymakers can make legislation accordingly. Marketing problems faced by intermediaries while marketing the mutual fund products is also one of the thrust areas in this study. Marketing problems are one of the barriers to reach the mutual fund products to the rural areas. This will be helpful to tap the untapped population. In this context, the present study is very useful and relevant to examine the factors influencing the fund selection behavior of investors, while making investment decisions in a mutual fund.

From the available literature, it is found that no systematic and scientific study has been carried out so far covering these issues. Therefore, the investigator proposes to

fill the gap through the present study by formulating the following specific objectives

- To study the investment decisions of mutual fund investors in Kerala and investigate their investment objectives
- To examine the investor's perception regarding mutual fund and their specific attitude towards mutual fund
- To study the satisfaction of investors towards the mutual fund
- To study the perception of investors towards the Systematic Investment Plan
- To identify the factors influencing the fund selection behavior of mutual fund investors
- To analyze the marketing problems faced by intermediaries while marketing the mutual fund products and also make appropriate recommendation for improving the marketing practices to be more effective

The study is designed as a descriptive one based on both primary and secondary data. Primary data were collected from the individual investors of the mutual fund who are using Systematic Investment Plan and intermediaries of MF. Structured questionnaires and interview schedules were used to collect primary data. Two questionnaires were used to collect data. One questionnaire is for individual investors and another one for intermediaries. A mailed questionnaire was also used for collecting data from intermediaries, for this, Google form was used for designing questionnaire. Secondary data were collected from journals, books, magazines, publications of various mutual fund organizations, websites of AMFI, websites of SEBI, websites of RBI and websites of various Asset Management Companies.

Multi-stage sampling was used for the collection of primary data. In the first stage, the state of Kerala was divided into three regions namely southern region, central region, and northern region. In the second stage, from the southern region, Thiruvananthapuram district was selected, Ernakulam from the central region and Kozhikode from the northern region based on the criteria of Asset Under Management of these districts are comparatively high in the group of districts in

each region. So the assumptions were made that the number of investors is more there in these districts. In the third stage, from each region 150 mutual fund investors who are using systematic investment plan were selected from each district by using purposive sampling method subject to the fulfillment of inclusion criteria of gender, age, educational qualification etc.

Similarly, Multistage Sampling Technique was used for selecting intermediaries. In the first stage, the whole state is divided into 3 zones namely south, central and north. In the second stage, from the southern region, Thiruvananthapuram district was selected, Ernakulam from the central region and Kozhikode from the northern region based on the criteria of Asset Under Management of these districts are comparatively high in the group of districts in each region. In the third stage, 35 intermediaries of mutual funds in each region were selected.

The secondary data covering the performance and resource mobilization of mutual fund industry in India were analyzed with the help of percentage analysis, compound annual growth rate etc. The data relating to the investment decisions of mutual fund investors are studied with the help of mean scores, percentage analysis, chi-square tests are used. The data relating to the perception and specific attitude of investors towards mutual funds and SIP were analyzed by using statistical tools such as frequencies, cross-tabulations, percentages, averages etc. Statistical tests such as Chi-square test and simple regression, multiple regressions were used to interpret the result. To understand the fund selection behavior of mutual fund investors, factor analysis was conducted on three important variables. Marketing problems of a mutual fund are studied by collecting data from brokers and independent financial advisors. Mean scores and standard deviation were used to interpret the result.

The report of the study has been presented in six chapters. The first chapter deals with the research problem, significance of the study, the scope of the study, objectives of the study, research methodology, limitations of the study and the chapter scheme of the study. The second chapter has discussed a detailed review of the existing literature in the area of research. The third chapter contains the

theoretical background of mutual fund industry in India. The fourth and fifth chapter contains the analysis and interpretation of data. The last and sixth chapter contains the summary of the study, key findings, suggestions, conclusion, and scope for further research.

6.3. Findings of the Study

The analyses of the data collected from the investors in mutual fund SIPs and the distributors or agents have revealed some important findings. The major findings of the study are briefly given in the following pages.

6.3.1 Profile of the Respondents

Out of the 450 respondents, 351 (78 percent) are male and 99(22 percent) are female. Generally, it is seen that investors in the capital markets are dominated by men. In the present study also, the majority of the respondents are male.

Based on the marital status wise classification shows that, out of 450 respondents, 349 (77.6 percent) are married and 101(22.4 percent) are single. Majority of the investors in the study are married. The result reveals that after marriage, people are more conscious about their investment.

Age wise classification of the respondents shows that 105 investors (23.3 percent) are in the age group below 30 years,121(26.9 percent) are in the age group of 30-40 years,114 (25.3 percent) are in the age group of 40-50 years and 110(24.4 percent) are in the age group of above 50years.

Educational qualification wise data of 450 investors shows that 21(4.7 percent) respondents have only the educational qualification of SSLC, 93(20.7 percent) have educational qualification of plus two, 181(40.2 percent) are graduates,88(19.6 percent) have passed post graduation and 67(14.9 percent) have acquired a professional qualification. Thus the majority of the respondent (40.2 percent) are having degrees and a higher level of education.

The classification of respondents based on their income shows that131(29.1 percent)are in the income group of Rs. 10001-20000,169(37.6 percent) are

belonging to them in the monthly income category of Rs. 20001-30000,90(20 percent) belongs to the group of Rs.30001-40000,32(7.1 percent) are coming under the category of Rs. 40001-50000 and28(6.2 percent)are in the income group of above Rs.50001.The result shows that majority of the respondents (37.6 percent) have a monthly income between Rs.20001-30000.

Based on occupation, the investor classification shows that 94(20.9 percent) are government employees, 108 (24 percent) are having private sector jobs, 86(19.1 percent) are doing business, 15.6 percent are professionals,19.9 percent are self-employed,5.3 percent are retired people and only 4.2 percent are nonresidents.

6.3.2. Savings and Investments of Respondents

The savings of investors shows that most of the respondents (41.1 percent) are making savings in the range of 21 percent to 30 percent of their total income in every year. The percentage of savings to annual income is also analyzed with gender and monthly income and it reveals that the majority of the respondents save more than 20 percent of their annual income. Chi-square test was used to know the association of gender, age and monthly income of investors and the percentage of savings, the result was significant at five percent level.And 43.1 percent of respondents make an investment in between the range of 21 percent to 30 percent. The percentage of investment is also analyzed with the demographic variables of gender, age, educational qualification and monthly income and it reveals that there is no significant association between the investment percentage with gender and age. The chi-square result is significant in the case of educational qualification and monthly income.

6.3.3. Investment Decisions of Mutual Fund Investors

- Majority of the respondents (57.33 percent) are investing more than 25 percent of their total investments in mutual funds.
- Chi-square result reveals that there is an association between the percentage of investments in mutual funds and region, gender, marital status, age, educational qualification, occupation and monthly income.

- Most of the respondents (79 percent) have more than 4 years of experience in mutual fund investments.
- There is an association between the gender and years of experience in mutual funds. Male respondents have more years of experience in the investment preference of mutual funds.
- There is an association between the monthly income and years of experience in mutual funds. The respondents who have high monthly income, they have more years of experience in a mutual fund.
- The important investment objectives of the respondents are house construction followed by for meeting contingencies.
- The study reveals that the respondents from north region attach more importance to meet the contingencies and investors from central and south region gives more importance to house construction.
- Gender wise analysis shows that male respondents give more importance to house construction as their primary objectives of investment and meeting contingency was the second objective. But in the case of female respondents, they give more importance to children's education following house construction.
- It is observed that married investors attach more importance to house construction whereas unmarried investors attach more importance to meet the contingencies.
- The mean score imparts that the investor coming under the age group of below 30 attach more importance to meet contingencies and investor's with age group of 30-40 and 40-50 attach more importance to house construction. While the investors' having more than 50 years has given more importance to meet the contingencies
- There is a significant difference assumed on various investment objectives such as house construction, children's education, meet contingencies,

provide for retirement, tax deduction and purchase of asset between the different classes of investors based on their educational qualification.

- Sixty-nine percent respondents choose open-ended schemes for investing in the mutual fund and 19.8 percent have a preference for interval schemes and remaining 11.3 percent have a preference towards closed-ended schemes.
- There is an association between the preference of mutual fund on the basis of maturity period and monthly income and educational qualification of the respondents.
- The study reveals that the most preferred mutual fund scheme is equity fund with a respective weighted average score of 8.36. The second rank goes to income schemes (6.62) and the third rank goes to tax saving schemes with a weighted average score of 6.34. The least preferred mutual fund scheme among the respondents is a diversified fund with a weighted average score of 1.81.
- The investors preference to money market mutual fund is low with a weighted average score of 4.77.
- The investors choose the fund based on the investment objectives of capital appreciation and regular income.
- It is evident from the study that, (63.6 percent) respondents were preferring growth option in mutual fund followed by dividend reinvestment option (25.1 percent). Only 11.3 percent were choosing dividend plan under the mutual fund
- Most of the respondents choosing more than 4 schemes in their portfolio to diversify their risk. There is an association between the level of preference towards mutual fund and duration of investments in mutual funds
- The investors' first preference on AMC was bank sponsored joint venture followed by institution sponsored, private Indian, private joint venture Indian and private joint venture predominantly foreign.

- The first preference for Asset Management Companies for both male and female was bank sponsored mutual fund and they give the least preference to private joint venture predominantly foreign.
- It is clear from the analysis that HDFC mutual fund was the most popular and preferred mutual fund among the respondents studied with a weighted average score of 7.26 followed by ICICI Prudential mutual fund (7.12), Reliance mutual fund (6.92), Birla Sun Life mutual fund (5.86), UTI Mutual fund (4.16). The least preferred mutual fund among the surveyed group was LIC mutual fund with weighted average scores of 1.80.

6.3.4. Perception of Investors towards Mutual Fund

- Safety and security were the most influencing characteristics of a mutual fund. The mean scores of safety and security were 4.5022. The other five important characteristics of mutual fund preferred among the respondents were return (4.1933), capital appreciation (4.1644), stable growth (3.9622), professional management (3.7200) and diversification (3.6911).
- Prestige image (2.3867) and speculation (2.7600) are the least influencing characteristics of a mutual fund.
- The result of ANOVA shows that (table 4.35) in all characteristics except the characteristic of less procedure ($p > 0.05$). Hence the null hypothesis was rejected in the all characteristics except less procedure. There is a significant difference between the characteristics of mutual fund and their level of preference.
- It is noticed that simple to invest and monitor the fund was the important factor which encourages the investors to mutual fund. The mean score of the factor was 4.4356. Tax advantage (4.1933) and it is a good investment instrument (3.6667) were the second and third factor respectively. The least important factor is assured and consistent return.
- Nonperformance of the fund was the most discouraging factor to mutual funds. The mean score of the factor was 3.7489. Inadequate research

(3.7467) and nonavailability of good service from mutual fund Company (3.7089) also discouraged the investors to mutual funds. Poor service quality (3.6378) and high risk (3.5578) factors also inhibit the investors to mutual fund.

- The discouraging factors were influenced more by low preferred investors (30.2760) followed by medium preferred investors and high preferred investors. There is an association between the discouraging factors and level of preference.
- Investors have good knowledge about the terms of Net Asset Value and Asset Management Company with respective mean scores of 4.54 and 4.29 respectively. Based on the survey, the investors have the least awareness on SWP, STP, ECS.
- There is no association between the gender and awareness about various terms in mutual fund market but there is an association between educational qualification and awareness about different terms in a mutual fund.

6.3.5. Investor's Specific Attitude on Mutual Fund

- The investors are more aware of the benefits of mutual fund and it helps to reap the benefits of the capital market. Under safety and security, the investors agreed that growth schemes are better than income schemes.
- It is clear from the analysis that investor's note the risks involved in a particular scheme and invest only after assessing their risk tolerance (Mean score 4.0822)
- By analyzing the investor's confidence, the investor's agreed that 'SEBI and AMFI protect the interest of investors' is ranked first and 'regulatory bodies handle the grievances properly' (4.0244) is ranked second followed by the 'services of mutual fund managers were satisfactory' and ' Mutual funds return and Performance is satisfactory' since their respective mean score of 3.1889 and 3.0689.

- Risk attitude is the most influencing factor of investors' specific attitude with a correlation coefficient of 0.801 followed by awareness of investor towards mutual fund (correlation coefficient 0.764). Hence AMC's should conduct various awareness programs to the investors and thus they can increase the investors' confidence.
- It is clear that the investment decisions of investors are much influenced by their specific attitude at 1 percent level of significance and there is a positive relationship between investors specific attitude on their investment decision.

6.3.6. Satisfaction of Investors towards the Mutual Fund

- The mean scores of investor's satisfaction towards mutual fund reveal that, under the parameter of fund quality, investors are more satisfied with the tax benefits offered by the scheme (mean score 4.04) followed by the return of the scheme with mean scores and standard deviation of 3.66 and 0.504 respectively.
- The investor's satisfaction is very low with regard to the expense ratio of the scheme with mean scores of 2.86.
- By analyzing the investor's satisfaction towards the fund sponsor quality, the result indicates that the investor's satisfaction was very high in the case of dissemination of information by AMC to its customers and the risk mapping ability of fund managers with mean score of 4.25 and 3.54 respectively.
- The investors are not satisfied with the strategy adopted by fund managers to pick the fund and portfolio management of investors with the mean scores and standard deviation of 2.91 and 1.07 respectively.
- It is clear from the table 4.45 that, investor related services are the most influencing factor of investors' satisfaction with a correlation coefficient of 0.811 followed by satisfaction towards fund sponsor (correlation coefficient 0.748). Hence, the Asset Management Companies should take necessary actions to improve the investor related services and improve their services to catch new investors to MF and retain the existing investors.

- Investor's satisfaction was comparatively low with regard to schemes quality. To increase the satisfaction of investors towards fund quality, AMC should try to introduce innovative products.

6.3.7. Investors Perception towards Systematic Investment Plan

- It is ascertained from the table that, the majority of the investors has a monthly investment in SIP of Rs. 1501-2000(34.9 percent) followed by investment worth Rs.2501 and above (33.6 percent).
- There is an association between monthly investments in SIP and region, gender, age, occupation and monthly income of the respondents.
- Forty-four percent of individual investors like to review the performance of their SIP investment at once in a month following once in a week and once in twenty days (22 percent and 19 percent) respectively.
- The important sources of information of SIP are brokers, agents, financial advisors with a mean score of 4.2489 followed by Information from distributors, and internet or websites with mean scores of 3.9111 and 3.8289 respectively.
- Financial literacy programs have the least impact on the sources of influence of Systematic Investment Plan.
- There is a significant difference in the sources of influence and level of preference of investors.
- The investors agree that the awareness of risk in a mutual fund in the order of market risk, investment risk, change in government policy, liquidity risk, interest rate risk, credit risk and inflation risk with mean scores of 3.62, 3.89, 3.25, 2.75, 2.53, 2.32 and 2.10 respectively.
- The total awareness score is 2.92. Hence we can conclude that the awareness of investors towards various risk associated with their investment is very low. So the Asset Management Companies and regulators should take

necessary measures to improve the awareness of investors towards various aspects in connection with their investment.

- There is a significant difference in the awareness about risk and the level of preference of investors.
- Sixty-two percent have moderate risk taking capacity in the investments of mutual fund and 23.6 percent of respondents have risk-bearing capacity to mutual funds
- There is no significant association between the gender and nature of risk bearing.
- There is no significant association between the marital status and nature of risk bearing.
- There is a significant association between the age and risk-taking capacity of investors. Youngsters have more risk-taking capacity than middle age group.
- There is a significant association between the education and risk-taking capacity of investors. High educated people have the more risk-bearing capacity.
- There is an association between the occupation and risk tolerance of investors.
- There is no significant association between the monthly income and risk-taking capacity of investors in the mutual fund.
- The study reveals that the most preferred SIP scheme among respondents is equity SIP schemes followed by ELSS SIP with weighted average scores of 6.51 and 5.39 respectively. Least preferred scheme among the respondents is liquid SIP/ scheme with scores of 2.03.
- It is clear from the analysis that most preferred characteristics of SIP among the respondents is easy to invest (mean score 4.23) followed by monthly investment option (mean score 4.07) and minimum deposit requirement (mean score 3.92).The least preferred characteristic is reduction of risk (mean score 3.1)

- For understanding the investor's perception towards SIP, different relevant statements are developed and factor analysis was conducted to extract important factors. The first factor includes the variables of SIP schemes are healthy for Indian business environment, SIP scheme is useful for the small investor, SIP investment is better than directly trading in equity, SIP schemes are like owning any other asset, regulatory bodies perform well and Higher tax shield should be provided for mutual funds. The factor has been named as *Security and cost-effectiveness*.
- The second factor includes the benefit of cheap access to expensive stocks, Mutual fund with large corpus perform well, SIP schemes are the cheapest way to equity exposure, and SIP schemes are better than one time investments. The factor has been named as *Better investment option*
- The third factor includes the variables of SIP schemes diversify the risk of investor and SIP schemes helps in reducing unsystematic risk with a factor loading of 0.711 and 0.506 respectively. The factor has been named as *risk protection*.
- The fourth factor includes only one statement namely 'Choice of SIP scheme completely depends on investor's risk profile and the factor has been named as *Investor Choice*.

6.3.8. Factor Affecting the Fund Selection Behavior of Mutual Fund Investors

- It is clear from the analysis that investors' were more crucial about the return of the scheme (mean score 4.59) followed by funds' brand name (mean score 4.42). The investors were least bothered about maturity profile of assets in a portfolio with mean scores of 2.97.
- The mutual fund investors assigned the highest importance to reputation or brand name of AMC (mean score=4.62, SD=0.71) followed by research and developments of AMC (mean score=4.02, SD=1.05). The mutual fund investors assigned the lowest importance to location of AMC (Mean Score =2.36, SD=0.97)

- The mutual fund investors assigned the highest importance to well-explained scheme's features and risk in offer documents (mean score=4.53, SD=0.82) followed by simple and well-explained account statement (mean score=4.38, SD=0.64). The mutual fund investors assigned the lowest importance to wider management facilities (Mean score 2.9, SD=1.09).

6.3.9. Factor Analysis of Scheme Related Factors

- The most important factor in scheme related factor is the *core of the product* explained with eigenvalues of 4.398. The factor consists of the characteristics of a mutual fund like maturity profile of the scheme, Risk of the scheme, Return of the scheme, period of fund, liquidity and tax advantages. Scheme's characteristics played a vital role in the selection of mutual fund.
- The second factor consists of three variables namely options available for the scheme, growth prospects of the scheme and withdrawal and transfer facilities with factor name *fund quality*.
- The third factor in terms of importance includes only 2 variables with Eigenvalues of 1.649. The factor has been named as *third-party assessment* with variables of good rating by the rating agency and fund's brand name.
- The fourth factor is named as *innovation* with only one variable named as innovation in a mutual fund with Eigenvalues of 0.923
- The last factor explained Eigenvalues of 1.449 and forms another construct in a mutual fund scheme namely *asset profile*. The asset profile factor consists of expense ratio of the scheme and scheme's portfolio investment.

6.3.10. Factor Analysis on Fund Sponsor Related Factors

- Under fund sponsor related factors, the first factor consists of three variables (B12, B8, B6). The first factor is designated as *net worth and innovativeness*. It includes the variables, namely, the net worth of AMC, AMC's innovativeness in launching schemes and service quality of AMC.

- The second factor has been named as *fund sponsor qualities*. The factor consists of reputation or brand name of AMC, Research and developments of AMC, Expertise of AMC'S for managing money, Ownership of the company and well-developed agency network.
- The third factor involves the variables of location, infrastructure, no of fund offered by AMC and experience of AMC. It can be named as the *location and infrastructure*.

6.3.11.Factor Analysis of Investor Related Services

- The first factor explained 30.393% of the variance and has been named as *service quality*. The factor includes variables like wider management facilities, electronic clearing system, responsiveness, supporting of AMC, online trading and multi-channel investing avenues.
- Based on importance, the second factor explained 19.031% of the variance and consists of four variables (C5, C2, C1, C9).The factor includes the variables of disclosure of NAV on every trading day, simple and well-explained account statement, well-explained scheme features in offer document and well-informed websites. The factor has been named as *adequate disclosure*.
- The third factor includes the variables of easy investing process, prompt and transparent service and speed of handling investor grievances. The factor has been named as *responsiveness*.
- The study reveals that investor related services are the most influencing factors (correlation coefficient 0.823) of the fund selection behavior of mutual fund investors followed by the factors related to the fund sponsor (correlation coefficient of 0.819).The result suggests that the AMC should improve the investor related services and improve their service quality to attract more investments to a mutual fund.

- The most influencing factors on the investment decisions of mutual fund investors are that investor related services with a coefficient value of 0.484 and at 1 percent level of significance.
- There is a positive relationship between fund selection behavior of investors on their investment decision.

6.3.12. Opinion of Intermediaries about the Marketing Aspects

- It is evident from the table that nonavailability of quality distributor is one of the key challenges faced by Indian mutual fund industry with mean score 4.27 followed by huge cost for entering into a new region.
- According to the opinion of distributors, nonavailability of quality distributor and weaker distribution network leads to the low penetration of mutual funds (mean score 4.4476). Another important factor which affects low penetration is cut-throat competition followed by not reaching out to rural people (mean score 3.65) and cost of entering into the region.
- Advertisement restrictions and inadequate research also make problem to the penetration of mutual fund.
- The independent financial advisors and brokers strongly agreed that if the distribution is carried through post office(mean score 4.6095) could be a positive step towards increasing the penetration of mutual funds and it helps the rural people to attract mutual fund investments.
- Marketing and distributions should be done through the network of public sector banks and private sector banks to reach out all people. Cross selling of mutual fund products along with basic bank products help to reach out to rural people. Partnering of AMC with banks should increase the strength of distribution network. Cross selling of mutual fund along with banking products could be a positive step towards the reaching of mutual fund products to rural areas. Most of the respondents agree that distribution is effective if it is done through the hands of IFAs (mean score 3.76).

6.4.Suggestions

Based on the analysis and findings of the study, the following suggestions have been made which would help the mutual fund industry as well as mutual fund investors.

- The study found that lack of awareness is one of the important problems faced by mutual fund industry. The total awareness score is 2.92. Hence we can conclude that the awareness of investors is very low in connection with mutual fund and SIPs. It is clear from the study that awareness of investors is also influenced the specific attitude of investors with the correlation coefficient(0.764). Take necessary steps to conduct financial education to investors. Financial education program can be conducted at the school level and it will influence the future financial planning of the individual investors. Asset Management Companies and SEBI can conduct seminar, training etc to the investors especially in rural areas at the time of fluctuations in the market. It leads to increase the investors' confidence. AMFI should frequently conduct short-term courses for investor awareness and improves the financial literacy.
- The study encountered that nonavailability of quality distributor is one of the key challenges faced by Indian mutual fund industry with mean score 4.27. Strengthen the existing policy of certification and training programs of intermediaries /independent financial advisors to ensure the quality of distribution network.
- The important characteristics expected by investors from a mutual fund are the safety of investment and regular return. The study also discovered that safety and security was the most influencing character of a mutual fund. The mean score of safety and security was 4.5022 followed by a return with a mean score of 4.19.So AMC can design mutual fund products by combining the needs of safety and return.

- The fund managers' performance was one of the important factors which influence the success of mutual fund and asset management companies as well. The study shows that the investors are not satisfied with the strategy adopted by fund managers to pick the fund and portfolio management of investors with the mean scores and standard deviation of 2.91 and 1.07 respectively. So AMC must take much care in the hiring and appointment of fund managers.
- The first and most important factor under scheme related factors is that 'core of the product', is the most influencing factor in the fund selection behavior of mutual fund investors. The factor consists of the characteristics of a mutual fund like maturity profile of the scheme, risk of the scheme, return of the scheme, period of fund, liquidity and tax advantages. Scheme's characteristics played a vital role in the selection of mutual fund. The investment objectives and return expectations of investors are different. So mutual fund companies should design innovative products not only for the conventional risk-averse investors but also emerging risk bearing investors. Asset Management Companies conduct market research for identifying the varied needs of investors.
- Mutual fund applications should be in regional languages and it helps the investors to understand more about various schemes and the details of risk.
- It was observed that investors' complaints are high in the mutual fund schemes and the complaints are not properly solved. MF organizations should be conscious about the settlement of complaints. SEBI introduce grievance redressal committee in every state. It will improve the grievance redressal within time.
- The study found that investor's preference to tax saving scheme(weighted average score of 6.34) was comparatively low with equity schemes and income schemes.The tax benefit is one of the important factors which

influence the selection of mutual fund scheme. So government should give more tax benefit to ELSS schemes and other schemes.

- The money market mutual fund is an excellent option for small investors, who cannot operate in the money market otherwise. The table 4.26 exhibits that the investors preference to money market mutual fund is low with a weighted average score of 4.77. By analyzing the preference of SIP scheme, liquid SIP scheme was the least preferred scheme among the respondents. The recent experience of MMMF in India has not been very satisfactory, with operational educational weakness holding back their growth. The industry needs to examine the lackings.
- Most of the investors are satisfied with the benefits of Systematic Investment Plan and so mutual fund companies should take necessary steps to make publicity of SIP.
- The important discouraging factors in a mutual fund is the nonperformance of the fund, nonavailability of good service from mutual fund companies and lack of professional managers with mean scores of 3.74, 3.71 and 3.63. The professional managers with a good background should be selected for appointment. Mutual fund companies improve the service quality and increase the quality of investor related services.
- The investors are relying more on brokers/financial advisors and distributors. The study realized that the important sources of information are brokers, agents, financial advisors with a mean score of 4.2489 followed by information from distributors (3.91). The sources of influence are comparatively low in the case of financial journals, internet, and websites of mutual fund companies. Financial literacy programs have the least impact on the sources of influence of Systematic Investment Plan. So mutual fund companies should take necessary actions in this regards.
- Investors in metro cities are more aware of mutual funds. Innovations should be done in the distribution channels of mutual fund for selling mutual fund in

tier 2 and tier 3 towns. Improves the quality of distribution network and take necessary steps to reach out to rural people.

- The intermediaries agreed that the distribution is effective, Marketing and distributions should be done through the network of public sector banks, private sector banks, post office to reach out all people. Partnering of AMC with banks should increase the strength of distribution network.
- The investment decisions of mutual fund investors are very much influenced by the brokers/independent financial advisors (mean score 4.24). Enhance the link between the intermediaries and investors, proper customer relationship management technique can be used to enhance customer relationship.
- The intermediaries opine that misselling also makes problem to the mutual fund industry with mean scores of 3.63 Proper regulations should obtain to avoid misselling of products, misleading advertisement. The guidelines should be communicated to the distributors properly.
- Further, the investors give most importance to the well explained scheme's features and risk in the offer documents, simple and well-explained account statement with mean scores of 4.53 and 4.38 respectively. The AMC should take steps to be as transparent as possible to follow disclosure norms provided by SEBI and AMFI.
- Mutual fund ATM should be introduced in the mutual fund offices which help the investors' to do the transaction without any delay and it helps the AMCs to improve the investor services.
- Mutual fund penetration is comparatively low and great scope exists for the growth of mutual funds in India. Compete with bank deposits, post office, and other common savings alternatives, necessary steps should be taken by SEBI, AMFI, and AMCs to increase the credibility of retail investors. Marketing strategy also needs to be reexamined.

6.5. Conclusion

The present study endeavored to bring out the role of Systematic Investment Plan in mutual fund investments. The study covers the level of preference of mutual fund investors in the mutual fund, characteristics preference of investors, encouraging and discouraging factors in a mutual fund, the specific attitude of investors towards mutual fund and their satisfaction level in a mutual fund. The study also incorporates the investor's perception towards SIP and fund selection behavior of mutual fund investors. The opinion of intermediaries/brokers and financial intermediaries are included in the study for understanding the marketing problems in mutual fund and also to make a recommendation for the marketing practices to be more effective.

Mutual fund plays a crucial role in the economic development of India by facilitating the allocation of scarce financial resources. By the end of 2017, there were 41 mutual funds including UTI contributing to the AUM. By 31st March 2017, the total net assets of Indian Mutual funds stood at Rs.1754619 crores under 2081 schemes. The gross mobilization of resources by all mutual funds during 2016-17 was at Rs 1,76,15,549 crore compared to Rs1,37,65,555 crore during the previous year indicating an increase of 28 percent over the previous year.

The study revealed that most of the respondents have a large amount in mutual fund and the majority of the investors have more than 4 years of experience in a mutual fund. The investors prefer open-ended schemes for their investment than close-ended scheme and interval schemes. Safety and security of the mutual fund and return are the most important characteristics persuaded them to invest in mutual fund. Nonperformance of the fund and nonavailability of good service from Asset Management Company was the important factors discouraging the investors to mutual funds. The investors have a positive attitude towards mutual fund and it positively influences the investment decisions of mutual fund investors in Kerala. The investors are satisfied with the disclosure of valuable information, tax benefits from the fund, and speedy handling of investor grievances. The investors are

dissatisfied with the strategy adopted by fund managers to select the fund and the portfolio management of investors.

Investors awareness towards Systematic Investment Plan is comparatively low and intermediaries/agents and independent financial advisors are the importance of sources of information about SIP. The easiness and monthly investment option are the important features of SIP preferred among the respondents. Their awareness towards various risks is very low and most of the respondents have the moderate risk-bearing capacity. The study reveals that investor related services are the most influencing factors of the fund selection behavior of mutual fund investors followed by the factors related to the fund sponsor. The result suggests that the AMC should improve the investor related services and improve their service quality to attract more investments to a mutual fund. Nonavailability of quality distributor and cost of entering to the new region was of the key challenges faced by Indian mutual fund industry. The intermediaries of MF agreed that, if the distribution is carried through post office could be a positive step towards increasing the penetration of mutual funds and it helps the rural people to attract mutual fund investments.

There is a need for the mutual fund companies in India to have a thorough understanding of these driving forces and that should be given due consideration at the time of the design and the development of schemes of investments in mutual funds. It is highly necessary that the Asset Management Companies of mutual funds should come out with a range of innovative products that cater to the ever-changing needs and requirements of individual investors and make it more attractive, profitable and the most preferred avenue of financial investment.

6.6. Scope for Future Research

This study provided a good review of the existing research work on financial behavior of investors, risk tolerance, and attitudes of investors', mutual funds investment decision and perception of investors towards SIP

- The review of literature says that there is a dearth of documented empirical evidence regarding the fund selection behavior of rural people. Hence, future researchers can attempt an empirical study in this direction.
- The MF operational environment is becoming more competitive. Hence, the impact of emerging competition on investor behavior/ behavioral changes needs to be studied further.
- Efficacy of behavioral finance theories on the fund selection behavior of mutual fund investors.

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QUESTIONNAIRE FOR INVESTORS

Dear Investors,

I am pursuing Ph.D from University of Calicut on the topic “Role of Systematic Investment Plan in Mutual Fund among the investors of Kerala”.I shall be obliged if you kindly provide the information on various questions in the Questionnaire. It is assured that the information provided by you will be used only for research purpose and will be kept confidential. It is your kind co-operation that would help me to achieve proper result in this research.

Thanking you.

Juwairiya.P.P

- 1.1. Region : 1.North 2.Central 3.South
- 1.2. Gender : 1.male 2.female
- 1.3. Marital status : 1.Married 2.Unmarried
- 1.4. Age : 1.below 30 2. 31-40 3.41-50 4. 51 and above
- 1.4.1. Actual age :
- 1.5. Educational qualification: 1. SSLC 2.Higher secondary Graduate
4. Post Graduate Professional
- 1.6. Occupation: 1.Govt Employee 2.private sector 3.Business
4. Professional 5. Self employed 6. Retired
- 7.NRI
- 1.7. Monthly income: 1.Below 10000 2.10001-20000 3. 20001-30000
4.30001-40000 5.40001-50000 6. Above 50001
- 1.7.1. Actual income:
- 1.8. What is the percentage of savings from your total income?
1. Up to 20% 2.21 – 30% 3.31 – 40% 4.41% and Above
- 1.8.1.1 Actual percentage:
- 1.9. What is your investment percentage?
1. Up to 20% 2.21 – 30% 3.31 – 40%
4. 41% and Above
- 1.9.1.1 Actual percentage:

2. What are the objectives of your investment? (Rank the order of preference put 1 for most important, 2 for next importantand so on)

Sl no	Objectives	Rank
2.1	House construction	
2.2	Children's education	
2.3	Meet contingencies	
2.4	Provide for retirement	
2.5	Tax deduction	
2.6	Purchase of Asset	

3. How long do you preferred to invest in Mutual Funds? (Tick mark for selected)

1. Less than 3years 2. 3-5 years 3. 6-10 years
 4. 11-15 years 5. 16years& above

3.1.1 Actual period :

4. How much you invest in Mutual Funds (% to total investment)

1. Less than 25% 2. 25-50% 3. 51-75% 4. 76-100%

4.1.1 Actual percentage :

5. Which type of Mutual fund scheme has been opted for Investment? (Tick mark for you selected)

1. Open ended 2. Closed ended 3. Interval

6. On the basis of investment objective, rank your preference of mutual fund scheme (Rank 1 for you prefer most and so on)

Sl no	Type of Mutual fund	Rank
6.1	Growth fund/Equity fund	
6.2	Income schemes	
6.3	Tax saving scheme	
6.4	Index scheme	
6.5	Money market/liquid scheme	
6.6	Balanced scheme	
6.7	Gold ETF	
6.8	Fund Of Fund	
6.9	Diversified fund	

7. What is your investment choice? (Tick mark for each you selected)

1. Dividend plan 2. Growth plan 3. Dividend reinvestment plan

8. Which type of mutual fund companies you preferred most? (Indicate your response by tick mark)

5=most preferred, 4=preferred, 3=don't know, 2=not preferred, 1=Not at all preferred

Sl no	Type of AMC	5	4	3	2	1
8.1	Bank sponsored MF					
8.2	Institution sponsored MF					
8.3	Private –Indian MF					
8.4	Private Joint Venture (Predominantly) Indian					
8.5	Private Joint Venture (Predominantly) Foreign					

9. Rank the following mutual funds in order of their popularity (Rank from 1 to 9)

Sl no	Mutual fund organization	Rank
9.1	UTI Mutual fund	
9.2	SBI Mutual fund	
9.3	LIC Mutual fund	
9.4	HDFC Mutual fund	
9.5	Reliance Mutual fund	
9.6	Birla sun life Mutual fund	
9.7	Franklin Templeton Mutual fund	
9.8	ICICI Mutual fund	
9.9	Kotak Mahindra Mutual fund	

10. How many schemes you hold?

1. Less than 3 2. 3-5 schemes 3. 6-8 schemes 4. More than 9

11. Rate the following characteristics considered by you while investing in mutual fund? (Indicate your response by tick mark)

5= most preferred, 4= preferred, 3=,somewhat preferred 2= not preferred, 1=not at all preferred

Sl no	Objectives	5	4	3	2	1
11.1	Return					
11.2	Liquidity					
11.3	Safety& security					
11.4	Tax benefit					
11.5	Diversification					
11.6	Professional management					
11.7	Capital appreciation					
11.8	Less transaction cost					
11.9	Risk protection					
11.10	Less procedure					
11.11	Repurchase facility					
11.12	Transparency in operation					
11.13	Affordability					
11.14	Prestige value					
11.15	Stable growth					
11.16	Speculation					
11.17	Quality of service					

12. What are the encouraging factors for making investment in Mutual funds? (Indicate your response by tick mark)

5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sl no	Factors	5	4	3	2	1
12.1	It is a good investment instrument					
12.2	It provide assured and consistent return					
12.3	It provide varieties of product					
12.4	Professional management of fund					
12.5	Transparency					
12.6	Reduce the risk of investors by diversifying the portfolio					
12.7	Simple to invest and monitor the fund					
12.8	Tax advantage					
12.9	Repurchase facility					

13. What are the factors discouraging investment in Mutual funds? (Indicate your response by tick mark)

1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

Sl no	Factors	1	2	3	4	5
13.1	Non performance of Funds					
13.2	Non availability of good service from mutual fund company					
13.3	Poor liquidity					
13.4	Inadequate research					
13.5	Over diversification					
13.6	High risk					
13.7	Poor service quality					
13.8	High transaction costs					
13.9	Ineffective grievance redressal mechanism					

14. Indicate your rating towards the following statement about mutual fund as an investment (indicate your response by tick mark)

5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sl No	Statements	5	4	3	2	1
14.1	Investment in mutual fund help to reap the benefit of equity market					
14.2	Benefits of diversification can be enjoyed through mutual fund investment					
14.3	Professional fund managers manage the mutual fund					
14.4	Mutual Funds with high NAV is good for investment					
14.5	Private funds are more return oriented than public sector Mutual Funds					
14.6	Growth schemes are better than income schemes					
14.7	Public sector mutual fund are more secured than private sector					
14.8	Investing in mutual fund yielding quick returns and capital appreciation					
14.9	Mutual funds are less risky compared to equity shares					
14.10	Diversification in mutual fund reduces the risk					
14.11	I note the risks involved in a particular scheme and invest only after assessing my risk tolerance					
14.12	Stock market volatility affect the return and risk aspects of mutual fund					
14.13	Mutual funds return and Performance are satisfactory					
14.14	The services of mutual fund managers were satisfactory					
14.15	Regulatory bodies handle the grievances properly					
14.16	SEBI and AMFI protect the interest of investors					

15. Rate your satisfaction relating to the mutual fund (indicate your response by tick mark)

5=very satisfied, 4=satisfied, 3=No opinion, 2=dissatisfied, 1= very dissatisfied

Sl no	Elements	1	2	3	4	5
15.1	Fund quality					
15.1.1	Return of the Scheme					
15.1.2	Risk of the Scheme					
15.1.3	Expense Ratio of the Scheme					
15.1.4	Tax Benefits					
15.1.5	Liquidity					
15.2.	Fund Sponsor Quality					
15.2.1	Risk Mapping ability of Fund Managers					
15.2.2	Service Quality of AMC					
15.2.3	Disclosure of Valuable Information					
15.2.4	Strategy of Fund Managers					
15.3	Investor Related Service					
15.3.1	Transparency					
15.3.2	Responsiveness					
15.3.3	Grievance Handling					
15.3.4	Electronic Clearing system					

16. How much amount you are invested in SIP in a month?

1. 500-1000 2. 1001-1500 3. 1501 -2000
 4. 2001-2500 5. 2501 and above

16.1.1 Actual amount:

17. Which type of SIP scheme has been opted for your Investment? (Rank at least any five according to the order of preference, 1 for most important, 2 for next and so on)

1. Equity fund 2. ELSS fund 3. Balanced fund
 4. Hybrid fund 5. Debt /Fixed income 6. liquid fund
 7. Fund of fund

18. How frequently you would like to know the investment status of your fund?

1. Once in a week 2. every fortnight 3. once a month
 4. Once in twenty days

19. Rate the influence of environmental sources that persuaded to invest Systematic investment plan (indicate your response by tick mark)

1=Least influence, 2=Less influence, 3=Neutral, 4=Influenced, 5= More influenced

SI no	Sources of information	1	2	3	4	5
19.1	Friends and relatives					
19.2	Books /Magazine/Journal					
19.3	Brokers /Agents/Financial advisors					
19.4	Seminars/Conferences					
19.5	Internet /Websites					
19.6	AMC's portfolio statement/Prospectus					
19.7	Financial literacy programs					
19.8	Information from distributors					

20. While you are investing in MF SIPs, what would be your preference for the following characteristics of SIP? (Please tick)

(5 =Most Preferred, 4 =Preferred, 3=Neutral, 2 =Not Preferred, 1=Not at all Preferred)

SI No	Characteristics	1	2	3	4	5
20.1	Easy to invest					
20.2	Portfolio diversification					
20.3	Advantage of compounding					
20.4	Professional management					
20.5	Reduction of risk					
20.6	Regular income					
20.7	Minimum deposit requirement					
20.8	Rupee cost averaging					
20.9	Monthly investment option					
20.10	Electronic clearing systems					

21. Are you aware of the following risk associated with systematic investment plan?
(Indicate your response by tick mark)
5= fully aware, 4 =Aware, 3= Neutral, 2=Unaware, 1= Totally unaware

Sl no	Risk	5	4	3	2	1
21.1	Liquidity risk					
21.2	Market risk					
21.3	Inflation risk					
21.4	Interest rate risk					
21.5	Investment risk					
21.6	Credit risk					
21.7	Change in government policy					

22. Rate the selection criteria relating to investment in mutual fund (please tick mark)
5= highly important, 4= important, 3=no opinion, 2= unimportant, 1= highly unimportant

Sl no	Factors	5	4	3	2	1
22.1	SCHEMES					
22.1.1	Return of the scheme					
22.1.2	Fund size					
22.1.3	Innovation in scheme					
22.1.4	Fund's brand name					
22.1.5	Risk of scheme					
22.1.6	Expense ratio of scheme					
22.1.7	Maturity profile of assets in portfolio					
22.1.8	Good rating by rating agency					
22.1.9	Options available for the scheme					
22.1.10	Entry load and Exit load					
22.1.11	Tax advantages of the scheme					
22.1.12	Withdrawal and transfer facilities					
22.1.13	Growth prospects of the scheme					
22.1.14	Schemes portfolio investment					
22.1.15	Minimum initial investment of the scheme					
22.1.16	Period of fund					
22.1.17	liquidity					
22.2	FUND SPONSOR COMPANY					
22.2.1	Reputation/brand name of AMC					
22.2.2	Experience of AMC					
22.2.3	Location of AMC					
22.2.4	Expertise of AMC for managing money					

Sl no	Factors	5	4	3	2	1
22.2.5	Infrastructure of AMC					
22.2.6	Service quality of AMC					
22.2.7	No of fund offered by AMC					
22.2.8	AMC's innovativeness in launching scheme					
22.2.9	Research &Development of AMC					
22.2.10	Well developed agency network					
22.2.11	Ownership of the company(public/private)					
22.2.12	Net worth of AMC					
22.3	INVESTOR SERVICES					
22.3.1	Well explained scheme's features and risk in offer document					
22.3.2	Simple and well explained account statement					
22.3.3	Easier investing process					
22.3.4	Multichannel investing avenues					
22.3.5	Disclosure of NAV on every trading day					
22.3.6	Speed of handling investor grievances					
22.3.7	Supporting of AMC					
22.3.8	Responsiveness					
22.3.9	Well informed websites					
22.3.10	Wider management facilities					
22.3.11	Prompt and transparent services					
22.3.12	Any time mutual fund					
22.3.13	Electronic clearing services					
22.3.14	Online trading					

23. Indicate your level of agreement or disagreement with respect to the following statement regarding Systematic Investment Plan (Indicate your response by tick mark)

5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sl No	Statements	5	4	3	2	1
23.1	Close ended schemes are less risky					
23.2	SIP schemes helps in reducing unsystematic risk					
23.3	Higher tax shield should be provided for mutual funds					
23.4	SIP schemes are healthy for Indian business environment					
23.5	SIP schemes are better than one time investments					
23.6	SIP investment is better than directly trading in equity					

SI No	Statements	5	4	3	2	1
23.7	Regulatory bodies perform well					
23.8	SIP schemes diversify the risk of investor					
23.9	Mutual fund with large corpus perform well					
23.10	The investor who has control over his investment can make his own investment decision without advice from others					
23.11	Choice of SIP scheme completely depends on investor's risk profile					
23.12	SIP scheme is useful for small investor					
23.13	SIP schemes are the cheapest way to equity exposure					
23.14	It provide the benefit of cheap access to expensive stocks					
23.15	SIP schemes are like owning any other asset					

24. Based on your portfolio, where do you place yourself as an investor on the risk tolerance?

1. Risk bearer 2. Moderate risk bearer 3. Risk averse

25. Rate your awareness level/financial literacy about the technical aspects of the mutual fund products

(Indicate your response by tick mark)

5=fully aware 4= Aware, 3=Neutral, 2=Unaware, 1= totally unaware

SL	Aspects	1	2	3	4	5
25.1	AMC					
25.2	NAV					
25.3	New fund offer					
25.4	Direct plan					
25.5	SWP					
25.6	STP					
25.7	Transaction costs					
25.8	Entry load/Exit load					
25.9	ECS					
25.10	Target Investment Plan					

26. Do you prefer mutual fund investment to other saving avenue in the future?

27.1 Yes 27.0 No

27. Do you have any suggestions to improve the performance of Mutual fund industry especially in Kerala?

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Thank you

QUESTIONNAIRE FOR INTERMEDIARIES

Dear respondents,

I am pursuing Ph.D from University of Calicut on the topic “Role of Systematic Investment Plan in Mutual Fund among the investors of Kerala”. I shall be obliged if you kindly provide the information on various questions in the Questionnaire. It is assured that the information provided by you will be used only for research purpose and will be kept confidential. It is your kind co-operation that would help me to achieve proper result in this research.

Thanking you.

Juwairiya.P.P

Region:

Broker/agent/advisor:

Name of organization:

1. According to your opinion, what are the major problems in mutual fund while marketing the products? (Indicate your response by tick mark)

5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sl No	Statements	5	4	3	2	1
1.1	The investors' are not aware about mutual fund products					
1.2	Lack of customer information is the biggest hurdle in selling mutual fund					
1.3	Non availability of quality distributors					
1.4	Strong regulatory platform					
1.5	Huge cost for entering into new region					
1.6	Agents also selling non mutual fund products with mutual fund products					
1.7	Commission limit also another constraints for getting quality distributors					
1.8	Lack of improved technology					

2. What are the factors affecting the penetration of mutual funds in India?
(Indicate your response by tick mark)
5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sl no	Factors	5	4	3	2	1
2.1	Lack of financial literacy of customers					
2.2	Lack of innovation to support distributors					
2.3	Weaker distribution network					
2.4	Cost of entering into new region					
2.5	Not reaching out to rural people					
2.6	Cutthroat Competition					
2.7	Strong regulatory frame framework					
2.8	Negative attitude of customers					
2.9	Advertisement restrictions					
2.10	Inadequate research					
2.11	Lack of awareness programs					
2.12	Quality of the distributor is the problem in selling mutual fund					

3. What are the important factors for improving the efficiency of distribution network? (Indicate your response by tick mark)
5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sl no	Statements	5	4	3	2	1
3.1	If distribution is done through banks and cross selling of MF, it helps to reach out to rural people					
3.2	Distribution in MF is effective when it is done through the hands of IFAs					
3.3	Investing in mutual fund through ATM machine improve the customer response					
3.4	MF is available to rural people, if it is distributing through post office					
3.5	Direct investment route enhance the distribution more effective					
3.6	Enhance cross boarder sales					

Sl no	Statements	5	4	3	2	1
3.7	Create technology driven distribution facility increases the MF business					
3.8	Enhance the CRM with customers as well as with channel partners					
3.9	Increase online investment facility improves the quality of distribution					
3.10	Employees provident fund organization should investing in mutual fund					