

A REVIEW ON ANALYSIS OF THE VARIABLES INFLUENCING MUTUAL FUND INVESTORS' INVESTMENT DECISIONS

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Abstract: In this volatile economy, mutual funds are often regarded as the safest and most advantageous investing choice. Investing in mutual funds may be done in a number of different ways, and investors do so for a variety of reasons. It was essential to do research on the aspects that influence investors' decisions about their willingness to invest in mutual funds. Despite the fact that investing in mutual funds is not without its share of potential downsides, the mutual fund business continues to expand. In this research paper, the researchers want to learn about the various motivating factors that attract potential investors to invest in mutual funds. This is done with the intention of assisting mutual fund offering companies in developing appropriate strategies for attracting more investment from the market.

The amount of investors' resources, the nature of their other investments, and their tolerance for risk all play significant roles in the purchasing choice of a mutual fund. When working as a product manager in the mutual fund industry, one's primary responsibility is to build products for the market that provide small investors the ideal combination of return, risk, liquidity, and safety. As a result, it is vital to conduct an analysis of the profile of investors, the preferences of investors, how people evaluate the various mutual fund schemes, and what key elements impact the investors' rating scheme. This research provides mutual funds and other relevant entities with assistance in the process of establishing new schemes and promoting such schemes.

Keywords: Mutual funds, NAV, Risk appetite, pool of money, decision making, investment, volatility of risk

1. INTRODUCTION

Mutual funds are an excellent investment vehicle for people of all socioeconomic backgrounds and levels. Mutual funds provide a very user-friendly and convenient method of investing for retail investors, making it possible for them to participate in the stock market as well as other investment opportunities. Mutual funds are a great way for retail investors who aren't familiar with the inner workings of the stock market but still want to get their feet wet in the world of stock market investing to get their foot in the door. Mutual funds have been more popular as a kind of investment over the last several years, and they are now one option among those who are arranging their investments for life after retirement.

It is also helpful for HNIs, or high-net-worth individuals, who want to invest their money in a financial instrument that has a somewhat greater level of risk in order to increase their chances of earning a better return. If a company wants to lodge a substantial amount of money for a relatively short length of time in an

instrument where they have the chance to obtain a handsome rate of return, then investing in certain kinds of mutual funds may be a very good option. This is especially true for corporations.

Recent Developments in Indian Mutual Fund Industry

Increasing numbers of investors in India are choosing to put their money into mutual funds rather than other types of investments. The Indian mutual fund industry has an average assets under management (AAUM) value of 28,33,890 crore as of October 2020. The assets under management (AUM) of the Indian mutual fund industry increased by about four times in the space of ten years, going from 6.46 trillion rupees on October 31, 2010 to 28.23 trillion rupees on October 31, 2020.

The AUM of the Mutual Fund Industry has increased by more than 2 times in the period of five years, going from 13.24 trillion as of October 31, 2015 to 28.23 trillion as of October 31, 2020. This represents a growth of over 5 years. For the first time in May 2014, and in a short space of roughly three years, the size of the AUM had expanded by more than twice, and for the first time in August 2017, it had increased by 20 trillion (about 20 lakh crore). As of the 31st of October 2020, the total AUM of the industry was roughly 28.23 trillion, or 28.23 lakh crore.

The overall number of accounts as of October 31, 2020 was at 9.37 crore (93.7 million), whereas the number of folios under Equity, Hybrid, and Solution-Oriented Schemes, where the greatest investment was coming from the retail sector, was roughly 8.05 crore (80.5 million). It demonstrates a rise in the number of individuals investing their own money in mutual funds.

The purpose of this research paper is to make an effort to investigate the many aspects that influence the investing choice of a typical Indian investor in a mutual fund. The researcher has used the Likert Scale in order to conduct the analysis of the investors' opinions of the aspects that influence the investors' choice regarding their mutual fund investments.

2. LITERATURE SURVEY

In India as well as in other countries, researchers have already completed a significant number of studies that focus on a variety of issues connected to mutual funds.

J.Lilly and Dr. Anasuya (2014), research published in the International Journal of Scientific Research under the title "An Empirical Study of Performance Evaluation of Selected ELSS Mutual Fund Schemes" found that the LIC NOMURA Mutual Fund Growth scheme obtained the highest returns with high risk when compared with other schemes by using the formula given by Treynor Ratio, Jensen's alpha measure, Sharpe Ratio, and Sortino Ratio on 49 chosen tax saving schemes ELSS (2014).

Lonnie L. Bryant & Hao-Chen liu (2011), According to research that was presented in the Global Finance Journal in 2011, the Sharpe ratio makes it possible for several funds to be managed while exposing the manager to less risk overall. In addition, the impact of fund risk volatility on the management of mutual funds was investigated by means of a survey that was sent to 1480 funds and completed by 407 experts. The decrease in expenditures that are borne by shareholders and fund managers as a consequence of economies of scale is one of the possible strategic advantages of this kind of managed fund structure. Another potential benefit is the increased return on investment.

Shanmugham and Ramya (2000) performed a survey of individual investors to discover the many information sources that entice individual investors to invest in mutual funds in order to get their feedback on the topic. According to the findings of the study, the elements that govern investment choices may be broken down into three categories: economic, social, and psychological.

Madhusudhan V. Jambodekar (1996) highlights in his study the different criteria that enable an investor make a choice about investing in mutual funds and to evaluate the direction that mutual funds are headed in. According to the findings of this study, the types of mutual fund schemes that are most popular include open-ended, incomes schemes, etc. Open-ended schemes were far more popular among mutual fund investors than closed-ended ones. Newspapers are the primary means through which information on matters pertaining to investments may be obtained.

P. Alekhya (2012), the greatest strategy to diversify your investing portfolio without suffering significant losses and while taking on fewer risks is to make use of mutual funds. The success of this fund is going to be directly proportional to the success of the underlying portfolio. Therefore, the diversity of one's portfolio will also play a significant influence. It is essential for investors to establish how to make their investment selections in order to ensure that their decisions are honest and logical. This study evaluates the performance of several investment vehicles by examining the outcomes of three years of data and ranking them in accordance with the factors proposed by Sharpe, Treynor, and Jensen.

Chawla, C. and et. al. (2013), in this day and age, there are fresh discoveries appearing in almost every field. In addition, taxpayers will electronically submit their tax returns online. This is a method that is now being used successfully in e-filing. This will save you time, money, and worry, in addition to lowering the overall cost. The electronic filing method as well as the electronic payment service should be used by the taxpayer. This survey reveals that a significant number of individual tax payers are pleased with the e-filing facilities that are now accessible; nonetheless, there is a deficiency in the amount of information that exists about the process of filing taxes online.

Kansal, A. (2007), In this article, it was argued that increasing the volume of exchange leads to an accelerated increase in the amount of activity that occurs in the back office. This, in turn, leads to a reduction in the growth capacity of brokers, which, in turn, causes the physical form of holding and selling shares to be a bottleneck for communities in the operations of capital markets.

3. OBJECTIVES OF THE STUDY

1. To investigate the variables that influence the investing choices of people who invest in mutual funds.
2. To provide recommendations for investors in mutual funds based on the patterns of investment choices made by such investors.

4. RESEARCH METHODOLOGY

Sample Size, Sampling Method & Sources of Data.

- Primary data is collected through questionnaires for the mutual fund investors. All the questions in the questionnaires are designed in such a way that the responses to these questions will fulfill the objectives of the Study.

- The researcher has used the random sampling method while collecting this primary data.
- The secondary data was collected through the information related to the Index Funds.

Summative Model of Likert Scale

The summative model of the Likert Scale was used by the researcher. It is a psychometric scale that is used in questionnaires and is used to scale the answer in such a manner that the responder is given the option to score the specific element. The summative model is a statistical model in which individual items on the scale are connected monotonically to the underlying characteristics, and a summing of the item scores is related linearly to the attitudes. The summative model is the model most often used. The magnitude of the sensation may be communicated via the use of the scales. In this case, the respondent's answer may range anywhere from "strongly agree" to "strongly disagree" on the scale rather of just having "agree" as an option.

The researcher has used the Likert Scale in order to conduct the analysis of the investors' opinions of the aspects that influence the investors' choice regarding their mutual fund investments.

The researcher has collected data from a sample size of one hundred participants, all of whom were chosen using a random selection approach. Everyone who participated in the survey is from the city of Pune and has been an investor in mutual funds for a period of at least three years. The investigation was carried out at Pune city's several offices belonging to different mutual fund firms.

5. DATA ANALYSIS

The researcher requested the respondents to scale (from 1 to 5 scale, 5 being most important and 1 being least important factor) the following criteria which they use while selecting any mutual fund scheme for their investment

- 1) Performance of the fund.
- 2) Investment Strategy of the fund
- 3) Convenience in transactions
- 4) Stock Market Movements
- 5) Dividend Frequency by the fund
- 6) Lock-in Period
- 7) Advice by the Mutual Fund Advisor

The respondents were from following different categories.

- Professionals
- Housewives
- Businessmen
- Servicemen
- Retired people

- Students

The researcher contacted 100 investors out of which 96 investors filled up the questionnaire fully while 4 investors did not disclose the full information.

Criteria	Total of Weighted Preference	Mean Σ (Total Weight)/ Number of observations	Rank
Performance of the fund	285	2.97	6
Investment Strategy of the fund	261	2.72	7
Convenience in transactions	362	3.77	4
Stock Market Movements	319	3.32	5
Dividend frequency by the fund	348	3.63	3
Lock-in Period	369	3.84	2
Advice by the Mutual Funds Advisor	384	4.00	1

6. FINDINGS & OBSERVATIONS

1. When it comes to making choices about their investments in mutual funds, it has been noted that investors place the greatest significance on the component known as "advice by mutual fund adviser." The mutual fund advisor's recommendations get an average score of 4, which is the highest possible score possible across all of the factors.
2. When deciding which mutual fund scheme to invest in, investors have indicated that the "Lock-in duration of the scheme" is their second choice after the "Investment objective of the scheme." The scale has an average value of 3.84 throughout the lock-in period.

3. Investors have placed a modest amount of weight on factors such as the ease with which transactions may be completed, fluctuations in the stock market, and the regularity with which dividends are distributed by the mutual fund scheme.
4. When deciding a particular mutual fund scheme to invest in, the "Investment strategy of the mutual fund scheme" and the "Performance of the Fund" are given the least amount of weight in the decision-making process.

Interpretation:-

When evaluating any mutual fund scheme, the performance of the Mutual Fund as well as its investment strategy should be considered among the most relevant elements. On the other hand, it seems that potential investors do not give sufficient weight to these considerations when choosing a mutual fund in which to put their money. This demonstrates that investors have a fundamental lack of information about mutual funds.

Suggestions**For the advisors**

Before advising a customer on a specific mutual fund scheme, advisors for mutual funds should first have an awareness of the investor's actual requirements. This will allow the adviser to better meet the client's demands. According to the results of the survey, investors put the greatest importance on the "Advice by the Mutual Fund Advisor" when making a decision about which plan to use for their investment in a mutual fund. Therefore, if the advisers understand the genuine requirements of the customer, they will be able to advise the customer on the mutual fund scheme that is most suited to meet those requirements. If the advisers do not understand the genuine requirements of the customer, they will not be able to advise the customer. Financial advisers are obligated to provide clients with an explanation of both the benefits and drawbacks associated with the myriad of various kinds of mutual fund schemes, such as index funds. Financial advisers owe it to their clients to discuss the relative risks that are associated with investments in various types of funds, such as sectorial funds, diversified funds, and index funds, amongst others, at the same time that they are explaining the historical returns produced by these funds. This discussion should take place simultaneously with the explanation of the historical returns produced by these funds. As a direct result of this development, investors will no longer base their decision to invest only on the rate of return that a fund has historically produced.

For the Investors

The investors must to have well-defined and distinct goals in mind while making investments in mutual funds. It is impossible for the individual investor to make a sensible choice if he does not fully understand the goals of the mutual fund in which he is investing. Investors in mutual funds want to have a solid grasp of the fundamental ideas and lingo that are associated with their investments in mutual funds. The dispersion of returns on an investment over a certain amount of time is referred to as volatility risk. Before making their final investment choice, potential investors need to take into consideration the volatility risk that is associated with each and every mutual fund scheme, which varies based on the funds' investments. According to the

findings of the study, investors place a significant amount of trust in the recommendations provided by mutual fund advisors when making decisions on the investing strategies they will use. During the process of selecting a fund, investors often ignore critical considerations such as the "investment strategy of the fund" and "returns by the fund." Before making their final investment selection, investors should do appropriate research in order to circumvent the aforementioned challenges.

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