

Study on Investors Attitude towards Mutual Fund with Special Reference to Sharekhan Ltd, Chennai

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Abstract

Mutual Fund as part of Financial Markets become familiarized among investors because of their risk sharing nature and also facilitates easy operations with good return. Research in behavioral finance is relatively challenging and new. Within behavioral finance it is assumed that the attitude structure, characteristics of market participants and the expectations of the investors are systematically influenced the investment decisions as well as market outcomes. Investors' attitudes drive from psychological principles of decision making to explain why people buy or sell stocks. The research we have done was on the topic "Study on Investors Attitude towards Mutual Fund". This study aims at identifying the most and the least influencing factors of the investors' attitude. This study is based on descriptive research design. The data was collected with the help of a questionnaire. The questionnaire included 25 items that belongs to six categories: - (1) Willingness to respond – Personal Experience. (2) Media usage – knowledge gained from outside (3) Investors' psychology on income (4) Other people are considered important – the direction of funds various sectors. (5) Emotional factors and habits – Environmental Circumstances, age etc. (6) Culture – Satisfaction level. The sample size considered for the study was 130 where in all the samples were the investors of ShareKhan limited, Chennai.

Keywords

Investor Attitude, Attitude Structure, Investors Psychology, Mutual Fund Preference, etc.

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Introduction

Attitude as a more or less stable set of predisposition of opinion, interest, purpose involving expectancy of a certain kind of experience and readiness with an appropriate response. Also known as a frame of reference which includes:

- (i) **Cognitive Element:** It always remains inside a person, and the factors willingness to respond and knowledge gained through the use of media to made them ready and fix the value of attitude.
- (ii) **Affective Components:** This component refers to person's feelings that results outcome; here we considered the feelings in terms of investors' psychology on income and the attitude of the other people towards various sectors.
- (iii) **Behavioural Components:** This component refers to the individuals' behaviour that occurs as a result feelings about the focal person, object, or situation. An intention to behave in a certain way toward someone or something. Here we considered emotions, habits and cultural factors.

Objectives of the Study

Primary Objective

- (i) To study attitude of investors towards Mutual fund schemes at Sharekhan limited, Chennai.

Secondary Objectives

- (i) To study the impact of Willingness to respond – Personal Experience on the investor attitude.
- (ii) To identify the influence of the Media usage – knowledge gained from outside on the investor attitude.
- (iii) To find out the effect of the factors related to Investors' psychology on income and the investors attitude.
- (iv) To analyze the impact of other people are considered important – the direction of funds various sectors on the investor attitude.
- (v) To interpret the effect of the factors related to Emotion and habits – Environmental Circumstances on the investor attitude.
- (vi) To find out the effect of the factors related to Culture – Satisfaction level on the investor attitude.
- (vii) To study the investment pattern of the investors based on their sector and company preferences.

Scope of the Study

The better understanding of attitude processes and outcomes is important for financial planners because an understanding of how investors generally respond to market movements should help investment advisors devise appropriate asset allocations strategies for their clients. For companies identifying the most influencing factors on their investors' attitude would affect their future policies and strategies eventually would affect their future plans. For Government identifying the most influencing factors on investors' attitude would affect the required legislations and additional procedures needed in order to satisfy investors' desires and also to give more support to market efficiency.

The research can help guide portfolio allocation decisions both by helping us to understand the kinds of errors that investors' tend to make in managing their mutual funds, and also by allowing us to understand better how to locate profit opportunities for investment managers. The scope of the study also expands to know market value of NAV, Better service, Company Image, and Customer Preferences and so on.

Research Design

The research design that is adopted in this study is descriptive design.

Descriptive research is used to obtain information concerning the current status of the phenomena to describe. "What exists" with respect to variables or conditions in a situation. The focus of this study was on revealing the various factors influencing the investors' attitude.

Thus it involves statement of the problem. Identification of information needed to solve the problem. Selection or and development of the instrument for gathering the information. We have carefully identified the target population and determination of sampling procedure and design of procedure for information Collection, Analysis and Interpretation.

Sampling Design

The sample design chosen is Non -Probability sampling; subjects are chosen to be part of the sample in non-random ways.

POPULATION: The population for this study is investors of Sharekhan Ltd, Chennai.

SAMPLING TECHNIQUE: The sampling technique used is Non -Probability Convenience Sampling.

The sample frame for this study is the company's database of Chennai City (Finite Universe).

SAMPLE SIZE: The sample size for this study is **130** investors' of Sharekhan Ltd., Chennai out of entire population 1335 which consists of 10% of the population.

SAMPLE UNIT: The individual investors of Sharekhan Ltd. were the target respondent groups from which the data were collected.

SOURCES OF DATA: Data were collected through both primary and secondary data sources. Primary data was collected through questionnaire.

QUESTIONNAIRE DESIGN: Proper care has been taken to ensure that the information needed match the objectives, which in turn match the data collected through the questionnaire. The basic cardinal rules of questionnaire design like using simple and clear words, the logical and sequential arrangements of questions has been taken in to account.

SECONDARY DATA: Secondary data is collected from company websites, fact sheets, magazines, Brochures and other websites.

Statistical Tool

The statistical tools applied by the researchers for the analysis of the data are as follows;

- (i) Percentage Analysis
- (ii) Correlation Method
- (iii) Chi-square Method
- (iv) Weighted average Method

PERCENTAGE ANALYSIS: Percentage is used

ANALYSIS AND INTERPRETATION

Table Showing Impact Of Willingness To Respond – Personal Experience On The Investor Attitude

S.No	Particulars	Respondent s	Percentage
1	Education	25	19
2	House	29	22
3	Vehicle	23	18
4	Business	31	24
5	Retirement	22	17
	Total	130	100

Inference

From the above table it is inferred that 19% respondents primary goal is education, 22% respondents said house, 18% respondents said Vehicle, 24% respondents said Business, and 17% respondents said retirement option are their primary goal.

Table Showing Investors Media Usage

S.No	Particular	Respondent s	Percentage
1	Television	27	21
2	Newspaper	22	17
3	Friends	35	27
4	Internet	31	24
5	Brokers	15	11
	Total	130	100

Inference

From the above table it is inferred that 21% respondents know mutual fund from Television, 17% respondents from Newspaper, 27% respondents from friends, 24% respondents from internet, and 11% respondents from brokers.

Table Showing Investors Psychology on Income

S.No	Particulars	Respondents	Percentage
1	0-5%	27	21
2	6-10%	21	16
3	11-15%	34	26
4	16-20%	31	24
5	21-25%	17	13
	Total	130	100

Inference

From the above table it is inferred that 21% of respondents are 0-5%, 16% of respondents are 6-10%, 26% of respondents are 11-15%, 24% of respondents are 16-20%, and 13% of respondents are 21-25% of investment in mutual fund from their annual income.

Table Showing Effect of the Factors Related to Emotion

S.No	Particulars	Respondents	Percentage
1	Highly satisfied	32	25
2	Satisfied	39	30
3	Neutral	43	33
4	Dissatisfied	11	8
5	Highly dissatisfied	5	4
	Total	130	100

Inference

From the above table it is inferred that 25% of respondents are Highly Satisfied, 30% of respondents are satisfied, 33% of respondents are Neutral, 8% of respondents are dissatisfied, and 4% of respondents are highly dissatisfied about their level of satisfaction on mutual fund.

Table Showing Satisfaction on

S.No	Particulars	Respondents	Percentage
1	Highly satisfied	32	25
2	Satisfied	31	24
3	Neutral	51	39
4	Dissatisfied	12	9
5	Highly dissatisfied	4	3
Total		130	100

Level of Mutual Fund

Inference

From the above table it is inferred that 25% of respondents are Highly Satisfied, 24% of respondents are satisfied, 39% of respondents are Neutral, 9% of respondents are dissatisfied, and 3% of respondents are highly dissatisfied about their level of satisfaction on mutual fund.

Table Showing Expected Return

S.No	Particulars	Respondents	Percentage
1	Below 8%	18	14
2	8-10%	24	18
3	10-12%	26	20
4	12-16%	30	23
5	16%&above	32	25
Total		130	100

Inference

From the above table it is inferred that 14% respondents expected return was below 8%, 18% respondents expect 8-10%, 20% respondents expect 10-12%, 23% respondents expect 12-16%, 25% respondents expect above 16%.

Table Showing What Kind of Industry Investor Prefer

S.No	Particulars	Respondents	Percentage
1	Banking	27	21
2	Automobile	36	28
3	IT	31	24
4	Trading	19	14
5	Insurance	17	13
Total		130	100

Inference

From the above table it is inferred that 21% respondents prefer Banking Industry, 28% respondents prefer Automobile, 24% respondents prefer IT, 14% respondents prefer trading, and 13% respondents prefer Insurance Industry.

Chi Square

Need for the Test

To test whether there is a relationship between the occupation and percentage level of annual income of investor's investment in mutual fund.

Null Hypothesis (H₀)

There is no significant relationship between the occupation and percentage level of annual income of investor's investment in mutual fund.

Alternative Hypothesis (H₁)

There is significant relationship between the occupation and percentage level of annual income of investor's investment in mutual fund.

Calculated value = 40.142

$$\begin{aligned} \text{Degrees of freedom} &= (r-1) * (c-1) \\ &= (5-1) * (5-1) \\ &= 16 \end{aligned}$$

Tabulated value of chi square for 16 degree of freedom at 5% level of significance = 26.296

Inference

Since the calculated value is greater than tabulated value

Alternative hypothesis (H₁) is accepted at 5% level of significance.

Occupation	Professional	Business	Employe	Retire	Housewife	Total
Annual income of investor's investment	21%	28%	24%	14%	13%	

in mutual fund						
0-5%	2	3	9	8	5	27
6-10%	3	3	7	5	3	21
11-15%	6	10	5	3	5	29
16-20%	12	10	3	2	4	31
21-25%	5	14	1	1	1	22
Total	28	40	25	19	18	13
						0

Conclusion

There is a significant relationship between the occupation and percentage level of annual income of investor's investment in mutual fund.

Correlation Coefficient

Need for the test

To test whether there is a significant relationship between the annual income and the relevant for making investment.

X	Y	X ²	Y ²	XY
22	32	484	1024	704
28	50	784	2500	1400
38	29	1444	841	1102
22	15	484	225	330
20	4	400	16	80
ΣX=130	ΣY=130	ΣX²=3596	ΣY²=4606	ΣXY=3616

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2 \sum Y^2 - (\sum Y)^2}}$$

$$r = 0.45$$

Calculated value = 0.45

Conclusion

There exists positive correlation; there is a significant relationship between the annual income and the relevant for making investment.

Findings

- (i) 26% of investors' invest 11-15% of their annual income in mutual fund.(Psychology on Income)
- (ii) 29% of respondents are choosing mutual fund for High risk, High return.(Emotional Factors)
- (iii) 39% of respondents are Neutral level of satisfaction on mutual fund. (Culture – Satisfaction level)
- (iv) 28% of respondents prefer Automobile industry for their investment. (Direction of funds towards various sectors)
- (v) 27% of investors' have come to know about sharekhan ltd mutual fund scheme through their friends.(Media Usage)
- (vi) 25% of respondents expect above 16% & above return.
- (vii) In Chi Square - There is significant relationship between the occupation and percentage level of invest in mutual fund
- (viii) There exists positive correlation; there is a significant relationship between the annual income and the relevant for making investment.

Suggestions

- (i) The company may provide the Mutual Fund scheme for the investors on monthly basis.
- (ii) Company would be good if it provides awareness programs about Mutual Fund in frequent intervals.
- (iii) The market scenario may be informed to the investors often.
- (iv) The institution may enrich the knowledge of investors about entry load and exit load before the investment by the investors.
- (v) The company may provide the option with regard to the investment in mutual fund.
- (vi) The financial advisor can recommended all the schemes based on income level of investors.
- (vii) The investors are dissatisfied in closed ended funds. So the brokers can diversity the portfolio based on more profitable sectors.

Conclusion

- (i) In this context financial reforms managing especially the Mutual Funds has become more challenging than ever before. New models of management are required such models will demand new knowledge, new skill and new techniques. The Mutual Fund management must acquire these traits.
- (ii) One has to appreciate that mere launching of schemes by the institutions alone will not be sufficient to bring in necessary performance improvement and to get the competitive edge. It is the fund manager who is to play the crucial role in selectivity and timing of the issues. The management might encourage investor's satisfaction survey at regular intervals to improve the investor's satisfaction.

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