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Professor MURUGESAN SELVAM, M.Com, MBA, Ph.D, D.Litt
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INFLUENCE OF ATTRIBUTES OF MUTUAL FUNDS ON INVESTMENT DECISION

Gangu Naidu Mandala*

*GITAM Deemed to be University, Visakhapatnam, India.
ganguaidu723@gmail.com*

and

Suresh Sirisetti

GITAM Deemed to be University, Visakhapatnam, India.

Abstract

In the present financial business, mutual funds have risen as the key player of the investment process. Mutual funds are fast emerging as an important investment vehicle in the modern world and the concept is catching up in India. In the present study, investors were solicited, to rate the qualities (Characteristics) of a mutual fund, on a five-point Likert Scale. This study was conducted in Visakhapatnam District, Vizianagaram District and Srikakulam District, in north coastal Andhra Pradesh. On the basis of the reaction of the speculators' mean and standard deviations were computed. The present study would help the individuals to put their surplus cash, in different gainful vehicles. It prompts capital aggregation for the country and better returns for the investors.

Keywords: *Decision making, Investment, Mutual Fund, Perception*

JEL Code : *G10, G20, G23*

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* Corresponding Author

1. Introduction

A Mutual Fund is a trust, that pools the funds of various little investors, as units, who have a typical financial objective. The cash, along these lines gathered by them, is put into financial business instrument like offers, debentures, securities, currency business instruments or some mix of these investments in such a path, as to minimize risk, while guaranteeing security and a relentless quantifiable profit. A fund is “mutual” as every last bit of its profits, and its costs, are impacted by the investors of the fund. The Securities Exchange Board of India has characterized a mutual fund as “a fund created as a Trust, to raise cash through the offer of units to people in general or a segment of the general population, under one or more plans, for putting resources into securities, including currency business instruments or gold or gold-related instruments or land assets.” A mutual fund will have a Fund Manager, who is in charge of putting the pooled cash into particular securities. Mutual fund plans are overseen by individual Asset Management Companies (AMC). At the point when one puts resources into a mutual fund, the investor is purchasing a part called a unit of the mutual fund and turns into a manager of the fund. The wage earned through these investments and capital, is acknowledged and shared by its unit holders, to the extent of the number of units held by them. The increase or decrease in the estimation of investments, in the fund, is reflected in Net Asset Value (NAV) of the respective plan, which is announced by the fund supervisor periodically. Mutual fund organizations offer investors interest due to the portfolio, under a professional management, at a moderately minimal cost.

2. Review of Literature

Carter (1950) examined mutual fund qualities and the reasons why vast number of

mutual funds perform better than smaller funds. As per his study, substantial funds have more noteworthy exploration assets available to them by spreading their working expense, have the capacity to arrange low commissions with their intermediaries, to cut their exchange costs and own huge squares of stocks. Nonetheless, Carter did not perform any observational examination. **Friend, Blume, Crockett, (1970)**, analysed the prudent execution of over 86 assets and irregular portfolios. His examination found that assets with superior turnover, outflanked others. The measure of the reserve had no effect on its execution. **Williamson (1972)** analyzed positions of 180 supports between 1961-65 and 1966- 70. There was no connection between the rankings of the two time frames. The speculation capacities of the majority of the reserve directors were indistinguishable. He featured the developing unmistakable quality of unpredictability in the estimation of venture chance. **Leelamma (2004)** made an inside investigation of the mutual fund investors, especially SBI Mutual Fund investors in Kerala. As indicated by her, the investors of Kerala had been demonstrating unmistakable fascination by subscribing to different mutual fund schemes, expecting higher return and capital additions. **Lee et al., 2012**, in their paper, incorporated prospect hypothesis, reference point adjustment and cognitive –experimental self –theory to give more knowledge on such investors’ capitulation. They experimentally examined the commitment of every part and also their interrelationship in two element tests. **Anitha (2011)**, in their examination, assessed the execution of public-sector and private-sector part mutual funds for the period from 2005 to 2007. Chosen reserves were broken down, utilizing statistical instruments like Mean, Standard Deviation and Coefficient of Variation. The examination of all assets had indicated unpredictability during the

time of study, making it hard to reserve one specific store which can beat the other reliably. **Alekhy P (2012)** attempted to assess the similar execution of open and private area mutual fund plans. The papers concentrated on the execution of mutual fund value, for the period from 2009 to 2011. Assets were positioned by Sharpe's Traynor's and Janson's execution measure. **Palmiter and Taha (2014)** found that fund investors gave careful consideration to fund expenses and pursued execution regardless of little proof that high past fund returns could ensure future returns. These discoveries revealed that arrangement creators ought to reevaluate the current administrative strategy and divulgence may not be sufficient.

3. Statement of the Problem

Investors' decision making, perception, investment strategy, expectations, etc are closely related to the behavior of investors. The mutual fund market is highly influenced by this perception of investors. From the foregoing comprehensive literature review, related to the mutual fund industry in India, it is evident that though few works have been done to find out the perception and attitude of mutual fund investors, no detailed study has been undertaken to assess the influence of attributes of mutual funds on investment decision, in north coastal Andhra Pradesh. Hence the current study was taken up to bridge the above gap.

4. Need for the Study

The study examines the influence of attributes of mutual funds on investment decisions in north coastal Andhra Pradesh. The reason for selecting this particular area for the study is the volume of trade, business network and circulation of money which is larger among the industrially developed districts in north coastal Andhra Pradesh, the people investing their

money in several constructive activities and various investments. There have been growing trends in mutual fund and other investment activities, which are very significant in North Coastal Andhra Pradesh.

5. Objectives of the Study

To objective of the study was to examine the influence of attributes of mutual funds on investment decisions in north coastal Andhra Pradesh and suggest to the suitable measures, for extending the scope for investment in mutual funds, based on the findings of the study.

6. Hypothesis of the Study

NH-1: There is no constructive relationship between attributes of mutual funds and investment decision.

7. Methodology of the Study

7.1 Pilot Study

The pre-tested questionnaire was administered to a sample of 100 mutual fund investors. The responses were obtained from mutual-funds investors, through Likert five point scale, subject to reliability. The Cronbach alpha method was applied and the value was determined as 0.829, proving the reliability of the instrument. The Cronbach's alpha value was above 0.75 and it implied that the questionnaire was highly reliable, to conduct the research.

7.2 Sample Selection

The population of north coastal Andhra Pradesh, at the time of framing the questionnaire, was 93, 35,701 (as on 1.01.2013). The literacy rate, during the period of study, was 67% in coastal Andhra Pradesh. Therefore, the number of literates was 62, 54,919. During that period, as per the survey, done by AMF of India, 1.6% of the entire population of India were mutual fund investors. In north coastal Andhra Pradesh,

it came to 1, 00,079. The sample size of the study was arrived, on the basis of the minimum required Sample Size Table and Power Analysis. As per the sample size table, minimum required sample size (n), for the study, was 1056 (N=100079, P< 0.03). The Power Analysis provides a minimum required sample (Effect Size) of 1000 (n) mutual fund investors.

7.3 Source of Data

A simple random sampling method was adopted, for the selection of respondents, for the study. For this study, north coastal Andhra was selected from the State of Andhra Pradesh. This study covered Visakhapatnam, Vizianagaram and Srikakulam districts, in north coastal Andhra Pradesh. Primary data were collected, by circulating a structured questionnaire. The secondary source of information and data were from different sources like books, journals, etc., Figures and tables were taken from independent organizations, Government regulatory authorities.

7.4 Period of the Study

The population of North Coastal Andhra Pradesh, at the time of framing the questionnaire, was 93, 35,701 (as on 1.01.2013). The literacy rate, at that time, was 67% in Coastal Andhra Pradesh. The study was undertaken during the period, 2014 to 2015.

7.5 Tools Used in the Study

The collected data were tabulated and analyzed, with the help of SPSS. The statistical tools, used for the analysis, included Mean, Standard Deviation, Correlation, Correlation of Variance, Regression Analysis.

8. Data Analysis

8.1 Influence of Attributes of Mutual Funds on Investment Decision

Mutual funds yields profit to investors. Mutual funds helps little investors to go into

capital business, with the least speculation. Mutual funds ensures regular income (income schemes give standard salary), capital appreciation, safety (contrasted with direct market venture, mutual funds speculation is protected.), liquidity (capacity to get in and out without any difficulty). All in all, investors have the capacity to offer their shared support, in a brief time of time tax benefits (investors do not pay any tax on profits, issued by mutual funds). Respondents were asked to rate the qualities (**Characteristics**) of mutual fund on a five point Likert scale. On the basis of mean and standard deviations, the mean, positions were ranked. The outcome, consequently acquired, is introduced in **Table-1**. From the examination of the information, displayed in the **Figure-1**, it is comprehended that the first component, that shaped the inclination of the investors for mutual funds, was safety, followed by regular income, capital appreciation, liquidity, professional management, flexibility, diversification benefits and tax benefits. To know the most influential variable on speculation choices, the correlation was carried out between venture decisions and qualities of mutual funds. The consequence of correlation is introduced in the **Figure-2**.

According to the correlation **Table-2**, the most impacting attributes of mutual funds on venture investment, was regular income, followed by security as the outcome, at one percent level. The fascination of the mutual funds was these two attributes, followed by professional management. To ascertain the inclination on mutual funds attributes (**Characteristics**) while settling on mutual fund venture decisions, the speculators were asked to rate these qualities, as indicated by their inclination, on a five-point Likert Scale. An aggregate score, for attributes of mutual funds, was obtained by including the scores of every

one of the explanations, identified with the qualities of mutual funds. The significance level was measured by simple regression. Results of the impact of qualities of mutual funds on venture decisions, are shown in **Table-3**. From the **Table-3**, it is inferred that speculation decisions were much affected by attributes of mutual funds, as the outcome was significant at 0.01 level. The relationship between attributes of mutual funds and investment decision was significant because p-value was 0.000. If the p-value greater than the common alpha level of 0.01, it indicated that it was not statistically significant. Standardized relapse coefficient, for qualities (characteristics) of the mutual fund, was 0.981 and adjusted R² was 0.9635. Hence, reject **NH-1: There is no constructive relationship between attributes of mutual funds and investment decision.**

9. Findings of the Study

There was constructive relationship between attributes of mutual funds and investment decision, Safety, regular income and liquidity also influenced investors to invest money on mutual funds.

10. Suggestions

Regarding risk/awareness about mutual funds, preferences of saving percentage from annual income, characteristics of mutual funds, specific perception of investors towards mutual funds, there is need for the mutual fund companies in India, to have a thorough understanding of these dynamic forces and they 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. This study would help further study.

11. Conclusion

The survey of investors' perception, revealed that profile of investors did have significant impact on the investors' decisions, relating to investments and particularly mutual fund investments. The present study endeavoured to bring out investors' preferences and perceptions towards mutual fund investment, such as preferences of schemes, risk perception of investors on investment decisions.

12. Limitations of the Study

The study considered only **three** districts, out of **13** districts in Andhra Pradesh, for the study.

13. Scope for Further Research

The survey of investors' preferences and perception revealed that profile of investors did have a significant impact on the investors' decisions, relating to investments and particularly mutual fund investments. Similar studies could be pursued in other parts of Andhra Pradesh.

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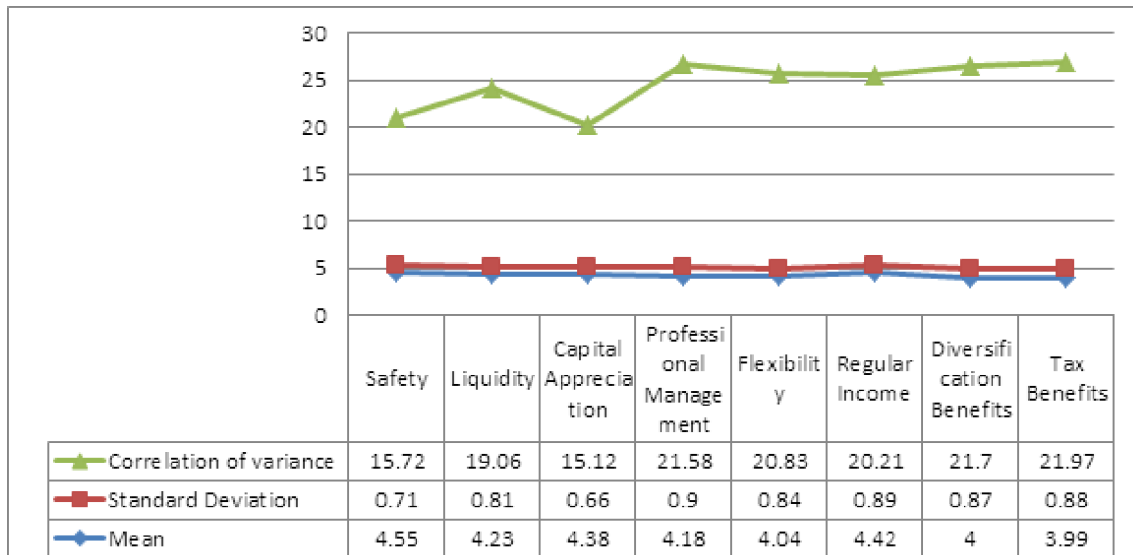
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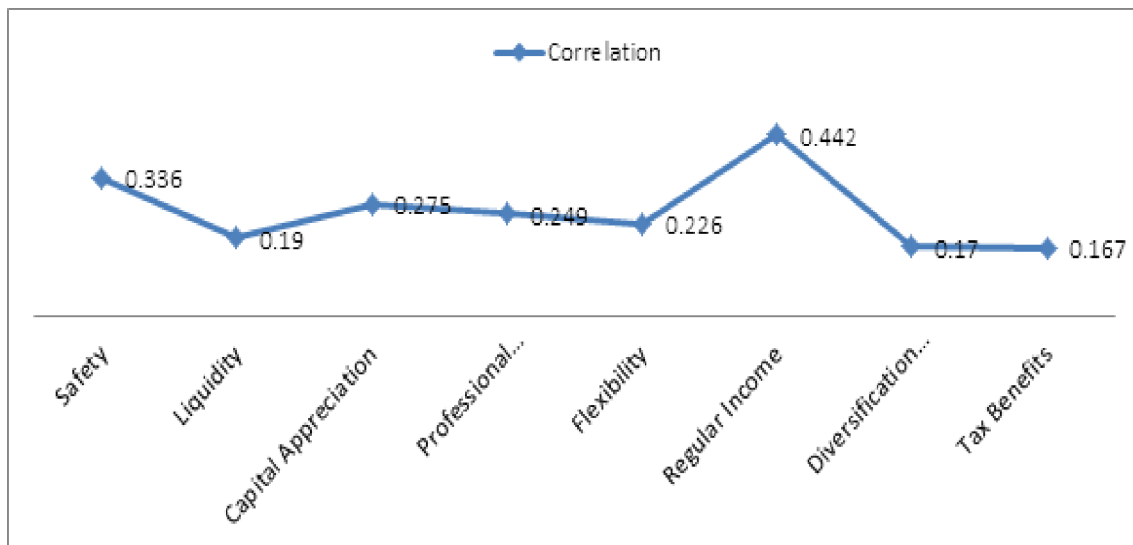
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Figure-1: Attributes of Mutual Funds



Source: Field Survey.

Figure-2: Correlation between Attributes of Mutual Funds and Investment Judgment



Source: Field Survey.

Table-1: Attributes of Mutual Funds

Attributes of Mutual Funds	Mean	Standard Deviation	Correlation of variance	Rank
Safety	4.55	0.71	15.72	1
Liquidity	4.23	0.81	19.06	4
Capital admiration	4.38	0.66	15.12	3
Professional Management	4.18	0.9	21.58	5
Flexibility	4.04	0.84	20.83	6
Regular Income	4.42	0.89	20.21	2
Diversification Benefits	4.0	0.87	21.7	7
Tax reimbursement	3.99	0.88	21.97	8

Source: Field Survey.

Table-2: Correlation between Attributes of Mutual Funds and Investment Judgment

Attributes of Mutual Funds	Correlation
Safety (wellbeing)	0.346
Liquidity	0.195
Capital admiration	0.285
Professional Management	0.259
Flexibility	0.236
Regular Income	0.452
Diversification Benefits	0.180
Tax reimbursement	0.177

Source: Field Survey.

Significant at 0.01 levels

Table-3: Attributes of Mutual Funds and Investment Decisions in Mutual Funds-Regression Analysis

Self-determining Variable	Coefficients		Standardized Coefficients	t	Significance
	B	Standard Error	Beta		
Attributes of Mutual Funds	0.095	0.001	0.981	154.395*	0.000
Adj:R ² = 0.963					

Source: Field Survey.

*Significant at 0.01 levels