

A STUDY OF DETERMINING FACTORS SHAPING INVESTING BEHAVIOR OF INVESTORS TOWARDS MUTUAL FUNDS

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ABSTRACT

The study emphasizes on identifying potential factors which play crucial role in shaping investors' behavior towards investing into mutual funds through SIP. Gender and Income is taken as study parameters to estimate the level of impact and important factors that play crucial role in shaping investment behavior towards the said investment avenue. 208 respondents were approached with structured questionnaire with an aim to record their responses towards investing pattern. The result identified eight important factors that affect investors' choice of selecting mutual fund investment through SIP. For Male- *Brand Name, Market News, Peer Reference & Returns* and for Female- *Awareness, Disposable Income, Objective of Investment, Entry/Exit* are most influencing factors. Income is found significant parameter promoting mutual fund investment. Higher income support the SIP investment option and lower income doesn't.

Keywords: *Investment Pattern, Investment Behavior, Investment Options,*

1 INTRODUCTION

Studying and measuring investors' behavior is a relevant area of research across researchers. It is an evolving concept which includes study of behavioral finance and cognitive psychology for making investment decision (Janardhanan & Anuradha, 2015). It is important to analyze investors' behavior or psychology in order to predict their interest of investment towards the particular investment product. The Indian scenario of investment is more focusing on stimulating investors to invest their money into 'Mutual Funds' through 'SIP'. By this, companies desire to attract capital into equity investment while facilitating quite secured platform (Swadia, 2017). As investment decision is subjected to investors' choice which quite possibly influenced by their knowledge, experience, education, interest, opinion, peer groups status, gender, income etc.

The choices in India are so common across the various groups of the society which stick to only few modes of investment, among them bank deposits and gold are most prominent. Considering the potential of investors it become needful to educate them for trying out the new investment avenues including SIP, by this we need to make over their behavior towards new modes of savings and investments (Soman et al., 2011).

According to Sundaram & Krishnan (2010) customers' investment decision is highly volatile and get influenced by his own characteristics which primarily includes his gender and income. Saving and investment approach across developing economies are so limited and that too with limited avenues. People are still not much aware of new investment avenues and even unwilling to try them. Especially, women who is being represented a new potential segment of investors with fastest growth. In developing economies, the growth of women income through salary and self-employment reflect strong possibilities to bring fresh investment into mutual funds through SIP (Nasir & Khalid, 2004). For that, identifying and studying potential factors which influence their choice of investment become crucial in order to understand their psychology. Apart from 'gender' another significant factor is identified as 'income'. It is a prominent parameter that decides the nature of and quantum of investment. Income is a strong indicator of investment pattern adopted by the investors and it directly influence the decision. Murithi, Narayanan & Arivazhagan (2012) revealed in their study that, income of the investor helps to predict their psychology towards investment and mode selection. There is a significant difference between low and high income group tendency towards savings and investment. They follow peculiar pattern of savings and investment mode selection. Kasilingam & Jaayabal (2008) explained the role and importance of family size and income on investment pattern. The study indicated towards the significant role of family income for investment.

2 REVIEW OF LITERATURE

Dewan, Gayatri & Dewan (2019) suggested that, individual investors are more prone to stock related risks and avoid to go beyond certain limits. Important factors like- ability of investing, quantum of investment, purpose of investment, experience in stock market investment etc. plays crucial role in ensuring how long an individual may go with this. Hence, investing behavior changes with change in various intrinsic as well as extrinsic factors of an investors.

Mak, Mark & LP (2017) explored potential factors affecting investing behavior across the world and identified that, individual investors concentrate more on micro factors whereas corporate investors concern with macro factors. The length and size of investment are also significant factor that influence the investors' psyche towards specific investments. Further, the study suggested that, individual investment can only be encouraged through building confidence and preparing positive attitude towards equity investment options. This would only possible through extensive education about investment and awareness.

Murithi, Narayanan & Arivazhagan (2012) investigated about behavioral pattern of investors towards various investment methods and found that, it gets influenced by variety of factors among them 'gender and income' are the most prominent. Traditionally, Indian societies are more of male dominant where females are rarely allowed to move out for job or business. Hence, this segment of society shows very low potential for investment into trendy avenues like equity or mutual funds. But, in modern societies females are now come up as potential investors due to increased income from job and self-employment. The concept of nuclear family and dual income for maintain social status has pushed it a lot. Also, giving importance to women education leads to more involvement in employment which influenced their capacity to save and invest.

Ranganathan (2006) found that, women potential of investment is significantly increasing in urban societies but investment tool selection still dominant by male members of the family. The study identified two important reasons behind this philosophy- first, the heritage of Indian family wherein financial decisions are taken by head of the family, which is the male always. Second, unwillingness and lack of knowledge about various potential avenues of investments. Therefore, despite be an income holder, women in Indian societies are not the real decision maker for their investments.

Chandra & Long (2003) studied about the household income in Taiwan and found that, household income of families is considerably increased wherein females are also working or doing anything to earn income. It has also been observed that, their perception and approach towards saving and investments also differ from the families where only single member earn. The complete look out get changed due to disposable income in hand. The fresh investments into new avenues are coming from females and the family who has increased their family income through female participation.

3 OBJECTIVES OF THE STUDY

1. To identify the potential factors influencing individuals' behavior towards investment in mutual funds through SIP.
2. To categorize the identified factors on the basis of selected demographic attributes of investors in order to understand their behavioral characteristics.

4 RESEARCH METHODOLOGY

Study Type: Current study is 'empirical' and follow quantitative research method based on numerical data directly collected from target respondents. The method helps to achieve research objectives through real data commonly collected using survey technique.

Sample Design: It is an important part of the empirical research. It includes sample definition along with mentioning the target respondents based on their eligibility to participate in the research. The target sample for current study are individual investors containing following attributes like- male & female, income category & user status (equity investor or not).

Sampling Technique: Judgmental sampling technique is used in the current study. This went most appropriate method as the study has specific purpose to be fulfilled. This technique helps to gather real data from specific respondents who are most eligible for the study.

Sampling Instrument & Unit: total 208 responses are collected using self-structured questionnaire. The questionnaire comprises three sections in which first section contain personal information of the respondents, second section contain questions based on potential factors affecting investing behavior and third section contain purposes of investment specifically into mutual funds through SIP.

Analytical Tools: With reference to the research objectives following analytical tools have been used in the study- Factor Analysis, ANOVA & CFA model based on gender.

5 RESULT

5.1 ANALYSIS OF FIRST RESEARCH OBJECTIVE

Factor analysis is conducted using SPSS 20 to identify potential factors influencing investors' behavior towards investment in mutual funds through SIP.

Table 1- Factors Extracted from Factor Analysis

S. NO.	FACTORS	FACTOR LOAD
1	Brand Name	6.130
2	Investor Awareness	5.571
3	Peer Reference	5.256
4	Market News	4.623
5	Disposable Income	4.314
6	Objective of Investment	3.281
7	Returns	2.139
8	Entry/Exit	2.076

Brand Name (6.130): It represents the company whose mutual fund is being promoted or offered to the customers. It has got the highest factor load which means company brand image play important role in selecting mutual fund as investment option.

Investor Awareness (5.571): It represents the investors' level of awareness towards various investment options including mutual funds. Investors who are well aware of mutual funds and its functioning are more tend to opt it for investment.

Peer Reference (5.256): It represents the peer advises and suggestions about investments. It is observed that, maximum investment options' selection are made through 'suggestion' if the investor is not so much competent or aware. In middle class where awareness is less 'peer reference' play very important role in selecting investing option.

Market News (4.623): It represents the market 'hear-says' about particular company's mutual funds or SIP. Companies in India collaboratively working on creating an environment which can produce 'primary demand' for mutual funds. Even government is also persuading people to invest in equity market through SIPs.

Disposable Income (4.314): It represents the extra income which a customer can accommodate anywhere as investment. SIP is promoted especially for attracting such small-small savings from individual investors to flow more liquidity in the market. It is an important factor which influence customers to buy SIP or mutual funds.

Objectives of Investment (3.281): It represents the primary purpose of investors' for investing. Mutual funds are of long term nature as they are associated with

equity market and carry risk in short term. Hence, investors who look for long term investment option are found mutual funds good.

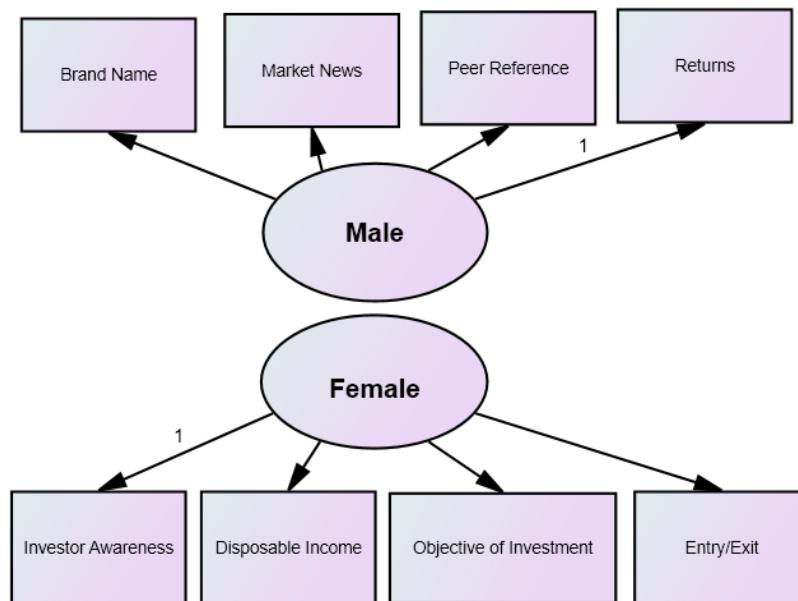
Returns (2.139):It is a very popular and talkative measure of any investment option. It is being publicized that mutual funds are giving high return and are better option for equity investment. Hence, this is consider as one of the crucial factor which influence investors' perception towards mutual funds.

Entry/Exit (2.076):It represents the lock in period of investment, usually every investment option has lock in period for which investment be locked. It is important from investors' point of view as majority of them doesn't investment into options in which long time lock in period is there. Hence, mutual fund investment is attractive as it has both no exit barrier and minimum lock in period.

5.2 Analysis of Second Research Objective

5.2.1 Categorization of factors affecting choice of investment in mutual fund using SIP.

Fig. 2- Potential Factors Affecting Investors' Choice (Based on 'Gender')



The above fig 2 showing 'gender' wise factors that put significant impact on investors' behavior towards mutual fund investment. This analysis has immense importance for firms selling mutual fund products. 'Gender' is a broad category that helps to know the power of buying and create difference among customers. Male and female are found different in terms of investment and factors affecting their choice for investment into mutual funds. Male has completely different factors that influence their decision towards mutual fund investments than female. The primary consideration for male consists- brand name, peer reference, market news and returns, these factors have power to affect 'male' investors'

choice of selecting mutual fund investment through SIP. With respect to ‘female’ important parameters are found like- investor awareness, disposable income, objective of investment and entry/exit.

5.2.2 Analyzing the impact of ‘income’ on choice of investment option selection.

H01: Income doesn’t influence investors’ choice of selecting mutual funds as investment option

**Table 3- F Test Result
ANOVA**

Income_Based_Perception

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.524	4	.238	3.485	.032
Within Groups	24.743	204	.068		
Total	25.267	208			

The null hypothesis H01 is rejected, the sig. value is calculated $0.032 < 0.05$. The test is significant at 5% level of significance. It reveal that, ‘income’ has significant influence on investors’ choice of selecting mutual fund as strategic investment option. The F test shows significant difference across various income based categories for selection of mutual fund as investment option. To further investigate the role of income over investment behavior ‘post hoc test’ is applied.

**Table 4- Post Hoc Test of Comparison across Income Categories
Multiple Comparisons**

Income Based Category
Tukey HSD

(I) Income category	(J) Income category	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1-2 Lac	=<2-3 Lac	-.21139*	.05250	.001	-.3552	-.0676
	3-5 Lac	-.42687*	.05970	.000	-.5904	-.2633
	> 5 Lac	-.49845*	.08698	.000	-.7367	-.2602
2-3 Lac	=< 1-2 Lac	.21139*	.05250	.001	.0676	.3552
	3-5 Lac	-.21548*	.06095	.004	-.3825	-.0485
	> 5 Lac	-.28706*	.08784	.010	-.5277	-.0464
3-5 Lac	=< 1-2 Lac	.42687*	.05970	.000	.2633	.5904
	2-3 Lac	.21548*	.06095	.004	.0485	.3825
	> 5 Lac	-.07158	.09232	.938	-.3245	.1814
> 5 Lac	=<1-2 Lac	.49845*	.08698	.000	.2602	.7367
	2-3 Lac	.28706*	.08784	.010	.0464	.5277
	3-5 Lac	.07158	.09232	.938	-.1814	.3245

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

The post hoc test helps to identify categories wherein actual differences lies and tell us how the variables differ from each other. Across different income categories the choice of mutual fund investment (SIP) vary. The criteria of investment significantly differ across income categories as the need and expectation changes. To have closer view of the test 'mean values' are being considered to measure the impact.

Table 5- Comparison of Mean Scores

Income Based Category

Income Based			
Categories	N	Mean	Std. Deviation
1-2 Lac	56	3.5161	.38062
2-3 Lac	60	3.7275	.47131
3-5 Lac	44	3.9430	.31984
> 5 Lac	48	4.0146	.23553
Total	208	3.6194	.47325

The mean scores show increasing trend in its values as category goes upward. It means as the income grows the mean scores are also growing. From this, it can be interpreted that, investors' choice of selecting mutual funds (SIP) increases as income increases. The chances of investment into SIP increases with increase in

income level of the investors. It is important to know because investors can be targeted accordingly. The selection of SIP to invest into mutual funds is quite positively depends upon income level of the investors. Low income group investors find other avenues of saving and investments more appropriate and as income increases his/her choices and selection changes and they switches to other advanced avenues.

6 FINDINGS AND CONCLUSION

The study found that, male and female investors significantly differ in their investment pattern and choice of selecting specific investment option. Factors influencing selection of investment option also changes over gender category. Male and female investors have different parameters that influence their choice and method of selecting type of investment option. Further, income also shows significant difference in investment behavior. The selection of investment into mutual funds influenced by investors' level of income. As income grows investors' preference towards SIP also grows. Hence, the study concluded that, 'gender and income' play crucial role for selecting mutual funds as preferred investment option. Investors seek profitable investment option and hardly want to go for long term. Short run saving and investment options are found more attractive across lower income investors' group. SIP in this sense found most competent product which gives ease and safety of investment even in short run.

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