

## **Investors' Opinion Regarding the Factors Affecting the Investment Decision in Mutual Funds**

**Mr. Vivek Jangid**

Assistant Professor

Department of Business Administration,  
Chaudhary Devi Lal University, Sirsa (Haryana)

**Mr. Sachin** (Corresponding Author)

Assistant Professor

Department of Business Administration,  
Chaudhary Devi Lal University, Sirsa (Haryana)

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### **Abstract**

Mutual fund is a podium for capitalist or investors to participate in the capital market with professional fund management irrespective of the amount invested. Mutual funds market is gaining the attention of investors rapidly as they do have some sort of specific advantage which is usually not found while investing directly in shares. In order to gain insight about such factors, efforts have been made in the present study to know the opinion of the investors regarding the factors affecting the investment decision in mutual funds. A well structured questionnaire with fifteen factors and five demographic profiles of the investors has been circulated to the two hundred respondents in the four state of north India. Frequency distribution technique is used to describe the demographic profile and to validate the hypothesis; t-test and ANOVA have been applied at five percent level of significance. Investors are found more or less agreed for most of the factors considered under study simultaneously no major significant difference is found in the opinion of the investors regarding the factors affecting the investment decision in mutual funds.

**Keywords:** Mutual funds, capitalist, investors, professional, management, opinion etc.

### **Introduction**

A Mutual fund is a faith that pools the savings of a number of investors' who share a common financial goal. The funds collected from investors' is invested in capital market instrument such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit's holder in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at

relatively low cost. Simultaneously mutual fund investment is considered as safer heaven than directly investing in stocks and is therefore, a safer alternative for risk adverse investors. The Indian mutual fund industry is mounting swiftly and this is reflected in the increase in assets/funds management houses. As a result, the industry has currently witnessed lot of competition. Thus throughout the past three decades of existence, industry has matured many folds in terms of size, operation and investor base. Therefore, it is vital for both the fund manager as well as investors to know as to which factor make more contribution towards the success of mutual fund or affect the investment decision in mutual funds. In the present study, efforts have been made to apprehend the importance of varied factors that come in the way for moving the investors to invest funds in this particular industry.

### **Review of Literature**

**Prabhavathi N. and Kishore N. T. K. (2013)** explained that mutual fund changed the way of world invested their money. The start of mutual fund gave an opportunity to the common man of high return from their investment when compared to other traditional sources of investment. The main focus of study was to understand the attitude, awareness and performance of mutual fund investors'. Most of the respondent prefer systematic investment plan and got their source of information primarily from banks and financial advisors. It was found that investors preferred mutual fund mainly for professional fund management and better returns and assessed fund mainly through net asset value and past performance.

**Goel D. and Gupta R. (2014)** found that the landscape of the financial sector in Republic of India is unendingly evolving, accredited to regulative changes being undertaken, which is principal market contributor like the quality management firms (AMCs) and distributors to structure their methods and adopt business models which is able to yield property advantages. It was stated that alternative trends that have emerged powerfully over the past year area unit significant outflows triggered by market volatility and partnering of quality management firms with banks, to increase the strength of distribution networks. The study was divided into five sections. In the first half, discussion has been made on abstract framework of mutual fund. In the next section, focus has been made on the growth of fund business in Republic of India preceded by analyzing the trends within the fund business. Then, discussion has been made on the challenges of mutual fund business and at last, the way ahead for mutual fund business in Republic of India.

**Agrawal G. and Jain M. (2013)** stated that in today’s competitive atmosphere, totally different types of investment avenues square measure accessible to the investors with different deserves and demerits. It was found that an capitalist tries to balance these advantages and shortcomings of various investment modes before investment in them. It was suggested that investment firm is that the best suited investment mode for the someone, as it offers a chance to take a position during a diversified and professionally managed portfolio at a comparatively low price. In the study, an try was created to analysis principally the investment avenue most popular by the investors of Mathura and to investigate the investor’s preference towards investment in mutual funds once alternative investment avenues are accessible within the market.

**Objectives and Hypothesis**

The objective of the study is to analysis the investors’ opinion regarding factors affecting the investment decision in mutual fund. To achieve the said objective the hypothesis has been formulated as H<sub>01</sub>: There is no significant difference in opinion of the investors regarding the factors affecting the investment decision in mutual funds.

**Research Methodology**

The present study is analytical in nature which is based primarily on primary data, which is collected from the four state *i.e.* Haryana, Punjab, Delhi and Chandigarh (UT) of north India. The size of the sample is set as 200 respondents which include the persons/investors having exposure in stock or mutual fund market. For the selection of sample, simple random sampling techniques have been used. Questionnaire has been circulated to the respondents with fifteen different factors on five point Likert scale along with five demographic variables. Frequency distribution has been used for elaborating demographic data and for validation the hypothesis, t-test and ANOVA have been applied at five percent level of significance. While entering the data in SPSS, SA (Strongly Agree) has assigned the value of 1, A (Agree) has assigned the value of 2, N (Neutral) has 3, D (Disagree) has 4 and SD (Strongly Disagree) has 5. In order to test the statistical validity, Cronbach’s Alpha has been used. The value of the same is given as under:

**Table 1: Reliability Statistics**

<b>Cronbach’s Alpha</b>	<b>No. of items</b>
0.845	15

Source: Survey (Data Processed through PASW SPSS)

The demographic profile of the respondents is shown in the table given below:

**Table 2: Demographic Profile of the Respondents**

<b>Profile</b>	<b>Frequency Distribution</b>	
<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	116	58
Female	84	42
<b>Age-Groups</b>		
Below 20	02	01
20-40	192	96
40-60	06	03
60 and above	-	-
<b>Education Qualification</b>		
Up to 10 <sup>th</sup>	04	02
10+2	-	-
Graduation	62	31
Post graduation	134	67
<b>Monthly Income (Rs.)</b>		
Below 20,000	84	42
20,000-40,000	74	37
40,000-60,000	18	09
Above 60,000	24	12
<b>Occupation</b>		
Student	92	46
Business/profession	40	20
Services	48	24
Others	20	10
<b>Total</b>	<b>200</b>	<b>100</b>

**Source:** Survey (Data Processed through PASW SPSS 18)

## Results and Discussions

As per gender-wise t-test result, it is found that there is significant difference in the opinion of male and female investors regarding the factors affecting the investment decision in mutual funds for the only factor *i.e.* mutual funds investment is less risky as compare to share market. Therefore, the null hypothesis ( $H_{01}$ ) is rejected at five percent level of significance. Otherwise, there is no significant difference in the opinion of male and female investors regarding the factors affecting the investment decision in mutual funds for rest of the factors under consideration. Therefore, the null hypothesis ( $H_{01}$ ) is accepted at five percent level of significance.

**Table 3: Gender-wise Result**

S. N.	Statements	Mean	S.D.	P	Sig.
1.	Mutual funds investment is less risky as compare to share market	1.63	0.630	8.709	0.005*
2.	Risk in mutual funds is reduced through diversification of fund	1.68	0.665	2.798	0.098
3.	Mutual fund investment provides full time professional management of funds	1.83	0.667	0.908	0.343
4.	Price movements of mutual funds are more predictable as compare to individual stocks	2.16	0.647	0.507	0.478
5.	Mutual fund provide more choice of investment option according to needs and objectives of the investors	1.91	0.922	2.247	0.137
6.	Mutual fund houses purchase large amount of securities so its provide benefits of 'economy of scale' to investors	1.92	0.740	0.577	0.449
7.	Mutual funds allow the investors to efficiently reinvest the dividends	2.09	0.780	0.100	0.753
8.	High liquidity is available in mutual fund market	1.73	0.874	0.596	0.442
9.	Mutual fund investment provides tax benefits to investors	1.98	0.864	0.950	0.332
10.	Mutual fund provides more regular income as compare to share market	1.88	0.808	0.057	0.811
11.	Mutual fund units can be purchased in small amounts, so it's easy to get started	1.75	0.702	0.518	0.473
12.	Mutual funds offer partial investment in high prices share lots through fraction buying of share	1.91	0.889	0.536	0.466
13.	Mutual funds charge less commissions/ brokerage when buying and selling for the pool as compare to share market	2.01	0.904	0.017	0.897
14.	Chance of capital appreciation in mutual fund is more as compare to share market	2.02	0.681	1.308	0.256
15.	In mutual fund investment, investor get benefits of expert's knowledge	1.57	0.607	0.000	0.984

**Source:** Survey (Data Processed through PASW SPSS 18)

**Note:** - \* = at 5 percent level of significance

**df** = total=199, within group=198, between group=1

**Table 4: Age-wise Result**

S. N.	Statements	Mean	S.D.	F	Sig.
1.	Mutual funds investment is less risky as compare to share market	1.63	0.630	0.503	0.606
2.	Risk in mutual funds is reduced through diversification of fund	1.68	0.665	0.525	0.593
3.	Mutual fund investment provides full time professional management of funds	1.83	0.667	3.310	0.041*
4.	Price movements of mutual funds are more predictable as compare to individual stocks	2.16	0.647	0.137	0.872
5.	Mutual fund provide more choice of investment option according to needs and objectives of the investors	1.91	0.922	0.801	0.452
6.	Mutual fund houses purchase large amount of securities so its provide benefits of 'economy of scale' to investors	1.92	0.740	0.511	0.601
7.	Mutual funds allow the investors to efficiently reinvest the dividends	2.09	0.780	1.013	0.367
8.	High liquidity is available in mutual fund market	1.73	0.874	0.195	0.823
9.	Mutual fund investment provides tax benefits to investors	1.98	0.864	0.892	0.413
10.	Mutual fund provides more regular income as compare to share market	1.88	0.808	1.341	0.266
11.	Mutual fund units can be purchased in small amounts, so it's easy to get started	1.75	0.702	0.758	0.471
12.	Mutual funds offer partial investment in high prices share lots through fraction buying of share	1.91	0.889	0.537	0.586
13.	Mutual funds charge less commissions/ brokerage when buying and selling for the pool as compare to share market	2.01	0.904	0.812	0.447
14.	Chance of capital appreciation in mutual fund is more as compare to share market	2.02	0.681	0.002	0.998
15.	In mutual fund investment, investor get benefits of expert's knowledge	1.57	0.607	1.205	0.304

**Source:** Survey (Data Processed through PASW SPSS 18) **Note:** - \* = at 5 percent level of significance **df** = total=199, within group=198, between group=1

In case of age-wise ANOVA result, it is found that there is significant difference in the opinion of different age group investors regarding the factors affecting the investment decision in mutual funds for the only factor *i.e.* mutual fund investment provides full time professional management of funds. Therefore, the null hypothesis ( $H_{01}$ ) is rejected at five percent level of significance. Otherwise, there is no significant difference in the opinion of different age group investors regarding the factors affecting the investment decision in mutual funds for rest of the factors under consideration. Therefore, the null hypothesis ( $H_{01}$ ) is accepted at five percent level of significance.

**Table 5: Education Qualification-wise Result**

S. N.	Statements	Mean	S.D.	F	Sig.
1.	Mutual funds investment is less risky as compare to share market	1.63	0.630	0.660	0.519
2.	Risk in mutual funds is reduced through diversification of fund	1.68	0.665	0.273	0.761
3.	Mutual fund investment provides full time professional management of funds	1.83	0.667	4.238	0.017*
4.	Price movements of mutual funds are more predictable as compare to individual stocks	2.16	0.647	0.544	0.582
5.	Mutual fund provide more choice of investment option according to needs and objectives of the investors	1.91	0.922	2.111	0.127
6.	Mutual fund houses purchase large amount of securities so its provide benefits of 'economy of scale' to investors	1.92	0.740	2.996	0.055
7.	Mutual funds allow the investors to efficiently reinvest the dividends	2.09	0.780	2.520	0.086
8.	High liquidity is available in mutual fund market	1.73	0.874	1.233	0.296
9.	Mutual fund investment provides tax benefits to investors	1.98	0.864	2.755	0.069
10.	Mutual fund provides more regular income as compare to share market	1.88	0.808	0.389	0.679
11.	Mutual fund units can be purchased in small amounts, so it's easy to get started	1.75	0.702	1.862	0.161
12.	Mutual funds offer partial investment in high prices share lots through fraction buying of share	1.91	0.889	1.117	0.332
13.	Mutual funds charge less commissions/ brokerage when buying and selling for the pool as compare to share market	2.01	0.904	0.003	0.997
14.	Chance of capital appreciation in mutual fund is more as compare to share market	2.02	0.681	3.045	0.052
15.	In mutual fund investment, investor get benefits of expert's knowledge	1.57	0.607	0.897	0.411

**Source:** Survey (Data Processed through PASW SPSS 18)

**Note:** - \* = at 5 percent level of significance

**df** = total=199, within group=198, between group=1

In results and discussion of education qualification-wise ANOVA result, it is found that there is significant difference in the opinion of investors with different education qualification regarding the factors affecting the investment decision in mutual funds for the only factor *i.e.* mutual fund investment provides full time professional management of funds. Therefore, the null hypothesis ( $H_{01}$ ) is rejected at five percent level of significance. Otherwise, there is no significant difference in the opinion of investors with different education qualification regarding the factors affecting

the investment decision in mutual funds for rest of the factors under consideration. Therefore, the null hypothesis ( $H_{01}$ ) is accepted at five percent level of significance.

As per income-wise ANOVA result, it is found that there is significant difference in the opinion of investors with different income group regarding the factors affecting the investment decision in mutual funds for the factors such as mutual fund provide more choice of investment option according to needs and objectives of the investors, mutual fund units can be purchased in small amounts, so it's easy to get started and chance of capital appreciation in mutual fund is more as compare to share market. Therefore, the null hypothesis ( $H_{01}$ ) is rejected at five percent level of significance. Otherwise, there is no significant difference in the opinion of investors with different income group regarding the factors affecting the investment decision in mutual funds for rest of the factors under consideration. Therefore, the null hypothesis ( $H_{01}$ ) is accepted at five percent level of significance.

**Table 6: Income-wise Result**

S. N.	Statements	Mean	S.D.	F	Sig.
1.	Mutual funds investment is less risky as compare to share market	1.63	0.630	0.648	0.586
2.	Risk in mutual funds is reduced through diversification of fund	1.68	0.665	0.209	0.890
3.	Mutual fund investment provides full time professional management of funds	1.83	0.667	1.330	0.269
4.	Price movements of mutual funds are more predictable as compare to individual stocks	2.16	0.647	1.375	0.255
5.	Mutual fund provide more choice of investment option according to needs and objectives of the investors	1.91	0.922	3.365	0.022*
6.	Mutual fund houses purchase large amount of securities so its provide benefits of 'economy of scale' to investors	1.92	0.740	0.562	0.641
7.	Mutual funds allow the investors to efficiently reinvest the dividends	2.09	0.780	0.348	0.791
8.	High liquidity is available in mutual fund market	1.73	0.874	1.097	0.354
9.	Mutual fund investment provides tax benefits to investors	1.98	0.864	1.797	0.153
10.	Mutual fund provides more regular income as compare to share market	1.88	0.808	1.234	0.302
11.	Mutual fund units can be purchased in small amounts, so it's easy to get started	1.75	0.702	5.606	0.001*
12.	Mutual funds offer partial investment in high prices share lots through fraction buying of share	1.91	0.889	0.536	0.659
13.	Mutual funds charge less commissions/ brokerage when buying and selling for the pool as compare to share market	2.01	0.904	2.091	0.107
14.	Chance of capital appreciation in mutual fund is more as compare to share market	2.02	0.681	3.433	0.020*
15.	In mutual fund investment, investor get benefits of expert's knowledge	1.57	0.607	1.168	0.326

**Source:** Survey (Data Processed through PASW SPSS 18)

**Note:** - \* = at 5 percent level of significance

**df** = total=199, within group=198, between group=1

In case of profession-wise ANOVA result, it is found that there is significant difference in the opinion of investors with different profession regarding the factors affecting the investment decision in mutual funds for the factors *i.e.* risk in mutual funds is reduced through

diversification of fund and mutual fund units can be purchased in small amounts, so it's easy to get started. Therefore, the null hypothesis ( $H_{01}$ ) is rejected at five percent level of significance. Otherwise, there is no significant difference in the opinion of investors with different profession regarding the factors affecting the investment decision in mutual funds for rest of the factors under consideration. Therefore, the null hypothesis ( $H_{01}$ ) is accepted at five percent level of significance.

**Table 7: Profession-wise Result**

S. N.	Statements	Mean	S.D.	F	Sig.
1.	Mutual funds investment is less risky as compare to share market	1.63	0.630	2.110	0.104
2.	Risk in mutual funds is reduced through diversification of fund	1.68	0.665	4.693	0.004*
3.	Mutual fund investment provides full time professional management of funds	1.83	0.667	0.714	0.546
4.	Price movements of mutual funds are more predictable as compare to individual stocks	2.16	0.647	0.232	0.874
5.	Mutual fund provide more choice of investment option according to needs and objectives of the investors	1.91	0.922	0.173	0.915
6.	Mutual fund houses purchase large amount of securities so its provide benefits of 'economy of scale' to investors	1.92	0.740	1.308	0.276
7.	Mutual funds allow the investors to efficiently reinvest the dividends	2.09	0.780	0.768	0.515
8.	High liquidity is available in mutual fund market	1.73	0.874	0.898	0.445
9.	Mutual fund investment provides tax benefits to investors	1.98	0.864	2.136	0.101
10.	Mutual fund provides more regular income as compare to share market	1.88	0.808	0.009	0.999
11.	Mutual fund units can be purchased in small amounts, so it's easy to get started	1.75	0.702	3.167	0.028*
12.	Mutual funds offer partial investment in high prices share lots through fraction buying of share	1.91	0.889	0.514	0.673
13.	Mutual funds charge less commissions/ brokerage when buying and selling for the pool as compare to share market	2.01	0.904	2.624	0.055
14.	Chance of capital appreciation in mutual fund is more as compare to share market	2.02	0.681	1.003	0.395
15.	In mutual fund investment, investor get benefits of expert's knowledge	1.57	0.607	2.409	0.072

**Source:** Survey (Data Processed through PASW SPSS 18)

**Note:** - \* = at 5 percent level of significance

**df** = total=199, within group=198, between group=1

## Conclusion

It may be concluded that investors are more or less agreed for all of the factors considered in the study simultaneously no major difference is found in the opinion of the investors regarding the factors affecting their investment decision in mutual fund except in one or two like in case of factor of mutual funds investment is less risky as compare to share market, some sort of difference is found in the male and female investors; for mutual fund investment provides full time professional management of funds, difference is found in investors with different age group; risk in mutual funds is reduced through diversification of fund and mutual fund units can be

purchased in small amounts, so it's easy to get started, significant difference is found in opinion of investors with different profession etc.

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