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Exploring the Factors That Influence Investors' Intention to Invest In Mutual Funds: Evidence from the State of Haryana

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Abstract: The purpose of this article is explore the factors affecting the investors' intention to invest in mutual funds in India. To achieve this purpose, the authors administered a structure questionnaires among respondents. To explore the factors which influence the investors' intention to invest in mutual funds in India, we deployed exploratory factor analysis. Using the sample of 420 respondents, our results show that return is most significant factor which influence investors' intention to invest in mutual funds. Then, our results show that risk is second and safety is third important factors which influence investors' intention to invest in mutual funds. Further, our findings suggest that service to investors, marketing policy, and information to investors are fourth, fifth and sixth important respectively factors, which influence investors' intention to invest in mutual funds. In last, the findings documented that transparency and tax consequences and liquidity of mutual funds are second least and least factors which effect investors' intention to invest in mutual funds in India. Therefore, our results show the mutual funds manager should consider these factors according to their utilities invite investors for invest in mutual funds.

Keywords: Mutual Funds, Investors' Intention to Invest, India

I. INTRODUCTION

Mutual funds are a pooled reserve that is isolated into units of equivalent worth that is offered to putting public accordingly cash gathered in this interaction is additionally put resources into capital and currency market instrument. In the present unique climate individuals go for those venture instruments from which they can get more return (Hemanth, 2008). Various people characterized mutual funds in various ways. SEBI (MF) guidelines, 1993 characterizes mutual funds as "An asset set up as a trust by a support to fund-raise by the legal administrators through the offer of units to the general population under at least one plans for putting resources into protections as per these guidelines." Mutual funds offer the benefit of expert administration of cash, enhancement of hazard, portfolio expansion, decreased exchange cost and liquidity (Kahneman and Tversky, 1979). These advantages can't be accomplished assuming anybody goes for some other sort of speculation (Gupta et al., 2018).

Need to put resources into mutual funds remains nearly less in contrast with other monetary resources in India (Kaveri Bindu, 2017). Fixed store stays the most well-known and favored monetary security among Indian financial backers. This article incorporates new regions, for example, consciousness of the conduct of mutual asset financial backers toward mutual funds, which has not been impacted in India, and no methodical review has been done on the conduct of financial backers in mutual funds Kaur and Kaushik (2016). Subsequently, this article would add to quality writing on social money, specifically on the conduct of financial backers against the mutual asset. The remainder of the article is organized as follows. Section 2 and 3

present literature review and research methodology, respectively. In Section 4, this article shows results. Section 5 presents conclusion and policy implications.

II. REVIEW OF LITERATURE

Sharma (2009) focal points of mutual funds on retail financial backers. Mutual funds industry to adhere on to know-your-customers (KYC) standards by carrying out them in letter and soul, the SEBI expanded spotlight on retail financial backers was the way in to the development of the mutual asset industry. KYC was quite easy but rather a necessity in light of a legitimate concern for the financial backer and the business all in all. It additionally featured the job of the retail financial backer by saying that however India had near 39% investment funds rate, the retail side was very undiscovered by the business. Then, Tarapore (2009) recognized the most concerning issue of the mutual funds industry is that the funds favor mass financial backers over retail financial backers and, consequently, the circulation component stays immature. The opportunity has arrived to attempt intense and quick activity on this and a large group of their issues. Saini et al. (2011) dissected the mutual funds speculations comparative with financial backer's conduct. Notwithstanding that financial backers' viewpoint and insight has been considered with respect to different issues like kind of mutual asset conspire, significant target behind putting resources into mutual asset plot, obligation of monetary consultants and representatives, financial backers' disposition concerning factors. Vanaja and Karuppasamy (2014) focused on that mutual funds have helped numerous financial backers with a simple and capable method of contributing with the restrictive worth chain, where financial backers may somehow or another be eliminated of the opportunity to put resources into the capital business sectors. Very recent, Singal and Manrai (2018) provided that "investors made investment decisions based on their preconceptions and perception towards the Mutual Fund sector without conducting proper analysis". Similarly, Alamelu and Indhumathi (2017) documented that "certain investors were found to perceive mutual fund as an ancillary investment avenue and refrained from investing in them unless they had surplus funds". Financial backers expected more significant yields with lower speculation chances from store directors despite the fact that such assumptions are in logical inconsistency with the broadly acknowledged idea of hazard return compromise (Chawla, 2014).

III. METHODOLOGY

As purpose of this article is to exploring the factors that influence investors' intention to invest in mutual funds, we collected the responses from individual investors who have intention to invest the money in mutual funds (Alamelu and Indhumathi, 2017; Gangwar and Singh, 2018; George and Mallery, 2003). To collect the required data, we designed a structure questionnaire which keeps statements on factors that influence investors' intention to invest in mutual funds. Initially, we distributed more than 600 questionnaires among individual investors through online and offline mode. In the end, we found 420 questionnaire fully complete and suitable to further analysis. Therefore, the findings of this article based on responses of 420 individuals (Elankumaran and Ananth, 2013; Hemanth, 2008). Furthermore, the data was analyzed using the software SPSS V.24 MS Excel. The questionnaire is provided as **Annexure A**.

IV. DATA ANALYSIS AND INTERPRETATION

4.1 Demographical feature of respondents

Table 1 shows the age of respondents. We found that 45% of respondents belong to 41-51 years age group followed by 22.9% of respondents who belong to 31-40 years age group. In addition, the results provide that 18.1% of respondents belong to less than 30 years age group and rest of 14% of respondents belong to 51-60 years age group.

Table 1: Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 30	76	18.1	18.1	18.1
31-40	96	22.9	22.9	41.0
Valid 41-50	189	45.0	45.0	86.0
51-60	59	14.0	14.0	100.0
Total	420	100.0	100.0	

Table 2 presents marital status of respondents. The results of the study provide that 52.1% of respondents are married followed by 47.9% of respondents are unmarried. Therefore, our results show that majority of respondents are married.

Table 2: Marital Status of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unmarried	201	47.9	47.9	47.9
	Married	219	52.1	52.1	100.0
	Total	420	100.0	100.0	

Table 3 presents monthly income of respondents. The results of the study provide that 36.9% of respondents earned less than Rs. 2,50,000 monthly while 34.8% of respondents earned between Rs. 2,50,000 to 5,00,000 monthly. In addition, our study provided that 10% of respondents earned Rs. 5,00,000 to 7,50,000 monthly. Further, our results indicate that 10.2% of respondents earned Rs. 7,50,000-10,00,000 monthly and rest of 8.1% of respondents earned more than Rs. 10,00,0000 monthly.

Table 3: Monthly income of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 250000	155	36.9	36.9	36.9
	250000-500000	146	34.8	34.8	71.7
	500000-750000	42	10.0	10.0	81.7
	750000-1000000	43	10.2	10.2	91.9
	More than 1000000	34	8.1	8.1	100.0
	Total	420	100.0	100.0	

4.2 Factors that influence investors' intention to invest in mutual funds

Before dissected the information, it was important to really look at the testing sufficiency for additional examination. In order to exploring the factors that influence investors' intention to invest in mutual funds, 35 statements were recognize from survey of related investigations. It is general propensity that example size ought to be in excess of multiple times of items and analysts taken the example size 420 respondents that was the greater prerequisite of test size. Therefore, Table 4 presents the results of KMO and Bartlett's Test. KMO insights which was 0.876 affirmed the inspecting sufficiency of exploration. Bartlett's Test of Sphericity that is utilized to check to relationship among idle factors additionally affirmed the critical connection among idle factors. By the Table 4, we could additionally dissect the informational index and investigate idle factors that influence investors' intention to invest in mutual funds.

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.876
Bartlett's Test of Sphericity	Approx. Chi-Square	19527.611
	df	595
	Sig.	.000

Table 5 shows the total variance explained by extracted factors. Total 35 statements were used to explore the investors' intention to invest in mutual funds. We follow the components extraction eigenvalues above 1. Thirty five variables were extracted into eight latent variables. In addition, Table 5 show that total 86.993% variance explained by these eight latent variables. For factors extraction, exploratory element procedure was utilized with assistance of Principal Component Analysis and rotation was finished by Varimax with Kaiser Normalization and revolution was shrouded in 7 cycles.

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.591	35.973	35.973	12.591	35.973	35.973	5.358	15.309	15.309
2	4.487	12.820	48.793	4.487	12.820	48.793	4.650	13.285	28.594
3	3.948	11.280	60.073	3.948	11.280	60.073	4.201	12.003	40.597
4	2.744	7.841	67.915	2.744	7.841	67.915	3.670	10.485	51.082
5	2.532	7.235	75.149	2.532	7.235	75.149	3.576	10.217	61.299

6	1.818	5.195	80.344	1.818	5.195	80.344	3.368	9.624	70.923
7	1.308	3.738	84.082	1.308	3.738	84.082	2.944	8.412	79.336
8	1.019	2.910	86.993	1.019	2.910	86.993	2.680	7.657	86.993
9	.497	1.421	88.414						
10	.430	1.230	89.644						
11	.359	1.026	90.669						
12	.329	.939	91.609						
13	.315	.901	92.510						
14	.295	.844	93.353						
15	.288	.822	94.175						
16	.232	.662	94.837						
17	.191	.545	95.382						
18	.190	.543	95.925						
19	.165	.471	96.396						
20	.152	.435	96.831						
21	.140	.400	97.231						
22	.112	.321	97.552						
23	.112	.320	97.871						
24	.106	.302	98.173						
25	.091	.259	98.432						
26	.086	.246	98.678						
27	.074	.213	98.891						
28	.067	.192	99.083						
29	.060	.172	99.255						
30	.053	.153	99.408						
31	.050	.143	99.551						
32	.048	.137	99.688						
33	.044	.126	99.814						
34	.038	.108	99.921						
35	.027	.079	100.000						

Extraction Method: Principal Component Analysis.

Table 6 shows rotated component matrix. As suggested by Hair *et al.* (2010), a rotated factor loading more than 0.5 served as a threshold to retain the items. By following the rotated factor loading threshold, we retain all items corresponding extracted variables. Moreover, all items have shown loading $> .684$. Our results show that eight factors are emerged as follows. Factor 1 is labelled by Return which explained total 15.309% variance. The Factor 2 and 3 are labelled by Risk and Safety which explained total 13.285% and 12.003% variance, respectively. Similarly, Factor 4, 5, and 6 are labelled by Service to investors, Marketing policy and information to investors which explained total 3.670%, 3.576%, and 3.368% variance, respectively. In last, Factor 7 and 8 are labelled by Transparency and Tax consequences and Liquidity which explained total 8.412% and 7.657% variance, respectively. Therefore, our results show that Return, Risk and Safety are three most important factors which influence investors' intention to invest in mutual funds.

Table 6: Rotated Component Matrix^a

Factor	Items	Component								% of Variance
		1	2	3	4	5	6	7	8	
Return	RET4	.930								15.309
	RET5	.917								
	RET3	.916								
	RET6	.889								
	RET2	.881								
	RET1	.834								
Risk	RISK3		.912							13.285
	RISK4		.906							

	RISK2		.887						
	RISK5		.847						
	RISK1		.846						
Safety	SAF3			.888					12.003
	SAF4			.871					
	SAF2			.830					
	SAF5			.826					
	SAF1			.779					
Service to investors	SER2				.914				10.485
	SER3				.892				
	SER1				.860				
	SER4				.858				
Marketing policy	MAR3					.906			10.217
	MAR2					.868			
	MAR4					.855			
	MAR1					.778			
information to investors	INF3						.883		9.624
	INF2						.882		
	INF4						.822		
	INF1						.744		
Transparency and Tax consequences	TAX3							.820	8.412
	TAX2							.796	
	TAX4							.780	
	TAX1							.684	
Liquidity	LIQ2							.910	7.657
	LIQ3							.892	
	LIQ1							.891	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.									
a. Rotation converged in 7 iterations.									

V. CONCLUSION

In this article, we explored the factors affecting the investors' intention to invest in mutual funds in India. Using the sample of 420 respondents, our results indicate that there have eight factors which influence the investors' intention to invest in mutual funds in India. These factors are as follows: (i) return, (ii) risk, (iii) safety, (iv) service to investors, (v) marketing policy, (vi) information to investors, (vii) transparency and tax consequences and (viii) liquidity. We established an important association between a mutual fund, the behavior of the investor, demographic characteristics of the respondents, and other variables used in the research. Therefore, our results show that return is most significant factor which influence investors' intention to invest in mutual funds. Then, our results show that risk is second and safety is third important factors which influence investors' intention to invest in mutual funds. Further, our findings suggest that service to investors, marketing policy, and information to investors are fourth, fifth and sixth important respectively factors, which influence investors' intention to invest in mutual funds. In last, the findings documented that transparency and tax consequences and liquidity of mutual funds are second least and least factors which effect investors' intention to invest in mutual funds in India. Therefore, our results show the mutual funds manager should consider these factors according to their utilities invite investors for invest in mutual funds.

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