IMPACT OF AWARENESS LEVEL OF RETAIL MUTUAL FUND INVESTORS ON FACTORS INFLUENCING INVESTMENT DECISION- AN EMPIRICAL STUDY IN ODISHA.

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Abstract
The paper aims at classifying retail investors into aware & influenced investors and active & passive investors and tries to study its impacton the factors influencing mutual fund investment decision. In the study respondents were classified into aware and influenced investor's category and active passive category by using cluster analysis. Those clusters were studied with respect to factors which are considered most important by investors before making investment decision. These factors are identified with help of literature and theyare mutual fund sponsor, cost of mutual fund, fund performance in past, fund benefits, risk, and promotion of mutual fund schemes and advisory influence of agents. Sample size is 380 and judgement sampling technique is used to identify them, tools used for analysis are cluster analysis, t test and chi square. Findings of paper found to be relevant for mutual fund companies. It is found that awareness level of investors,influence investment decision making w.r.t age, income, saving and education. On the other hand parameters like marital status, annual saving, proportion of saving to investment, and education have an impact on active and passive investor's decisions.

Both classes of investor's i.e. active passive, aware and influenced, showed similar trend towards factor influencing investment decision. Aware and active investor's found to give more importance to cost factor whereas influenced and passive investor's found to rely more on advisory influence.

Keywords: Mutual Funds, Cluster Analysis, Factors Influencing Mutual Fund Decision.
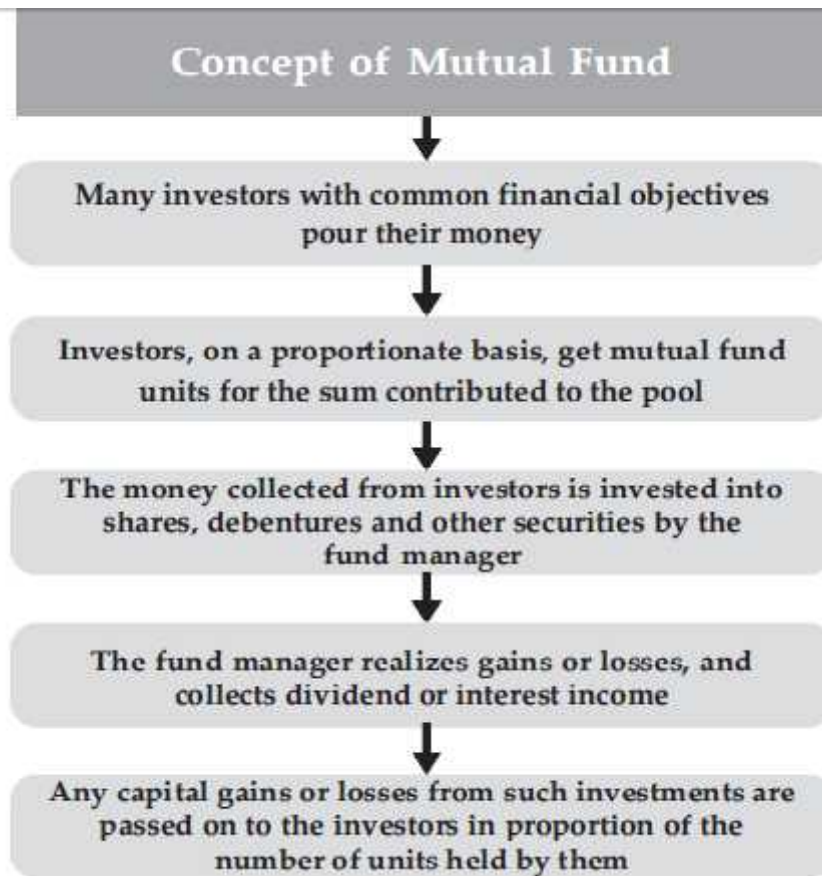
Introduction

Industrialization in any economy is a sign of development and growth which is itself a tedious task and requires constant efforts and hard work. It can take place by striking a balance in economy which majorly depends upon financial condition of the country and its economy. Investors are generally faced with investment decisions which are quiet difficult to make as they are dependent upon many factors like company reputation, government rules and regulations, economics of sales and the trend in a particular sector, socio-economic environment, risk involved and expected return, level of income of the individual, his educational qualification, marital status and demographic characteristics etc.

Before making any investment investors recollects information through their capability and understand it accordingly to take investment decision which lead to some errors. It can be said that safe capital and good return on investment are major motivator of any individual for making investment which involves conversion of   savings into assets so as to gain future benefits and involves strategic decisions like, where to invest, when to invest and how to invest. So investors always prefer to invest in funds which are safe and give better future return in terms of interest or capital gain. To get the benefits of saving many different financial instruments came into existence and mutual fund is considered to be one of the safest investment avenues due to its diversified portfolios. With passing time it became most preferred and safest investment option among all class especially for the new investors.

Mutual fund revolves around simple concept, of sharingof risk by dividing whole investments into multiple investment avenues, which is done by merging many small investments into a large investment. Diversification of securities reduces the risk because there may be times when all the stocks will not see growth or fall down at the same time in the same ratio. So, in mutual funds risk is reduced and spread evenly among cross-section of industries and sectors. Mutual fund issues units to the investors in accordance with amount of money invested by them.

Generally it is believed that MF is a retail product designed to target small investors, and employed people who usually find it risky to invest in stock market. Mutual fund acts as an option where small investors can enjoy the benefits of investing in a diversified portfolio of stock market. At the retail level, investors are different with different needs so cannot be catered with a standardised product, still UTI managed to do it in first phase of introduction of mutual funds for around three decades (1964-1987) as there was no competition in the industry. In the second phase of mutual fund industry in India oligopolistic competition was seen during the period of (1987-1992), with the entry of the public sector banks and financial institutions. Moreover, due to globalisation and liberalization measures took by the government has led to a change in the thinking of investors

Concept of Mutual Fund

Many investors with common financial objectives pour their money

Investors, on a proportionate basis, get mutual fund units for the sum contributed to the pool

The money collected from investors is invested into shares, debentures and other securities by the fund manager

The fund manager realizes gains or losses, and collects dividend or interest income

Any capital gains or losses from such investments are passed on to the investors in proportion of the number of units held by them

During this phase also investors are encountered with limited options to invest in mutual fund and therefore no innovative products were offered by the banks and institutions unless this sector was thrown open to the private sector. During the third phase (1992 hence) the industry was thrown open to the private sector and the stage got set for competition.

Literature Review
Alexander et al. (1997) are of the view that investors possess awareness aboutcost, risk and returns linked with mutual funds. This view is supported by Wilcox (2003), who found that informed and literate investors show basic knowledge of finance in their investment decision. Madhusudhan V Jambodekar (1996) done a research to judge the awareness of MFs investors, and to identify the information channels which causes impact on the buying decision and the factors influencing the choice of a particular fund.The study discloses that among other things Income Schemes and Open Ended Schemes are highly preferred by investors as compared to Growth Schemes and Close Ended Schemes during the then prevalent market conditions. Investors prime concern remains to be safety of Principal, Liquidity and Capital appreciation in the order of importance; Newspapers and Magazines are the first source of information through which investors get to know about MFs/Schemes and services provided by fund management house to investors becomes a major distinguishing factor in choosing of Mutual Fund Schemes.

Anjum and Saini (2011) analysed the investor's awareness and perception about mutual funds in India and to gather information about the growth and lacunas in the working of mutual fundsin India.The study concluded that the main reason for investment in mutual funds by investors is tax benefits followed by high return and safety. Age has strong relation with the factors that can win back the investors' confidence.Study also found that investors select a mutual fund scheme for investment on the basis of past performance,stability of returns and past dividends.

De Bondt and Thaler (1985) in their research suggested the psychological criterion of investor behaviour and concluded that present performance of firm impact investor perception in forming future expectations, Ippolito (1992) in his study found that past performance of the funds is considered as most important factor in selection of any fund / schemes, Shafiretal., (1993) in his research found about the role of investor psychology in asset price is everyday fact for the practitioner. He also found out that that investors are not fully rational, they reflect risk-seeking behaviour, they use to differentiate outcomes of different

decisions, and their expectations are often partial in predictable direction. Gupta (1994) in his survey research on the investor preferences of MFs and other financial assets, has concluded that AMC's has to make customized mutual funds to cater to the future needs of investors, SujitSikidar and Amrit Pal Singh (1996) in their study examined the behavioral aspect of the investors of the North India. Manish Mittal and Dr. R. K. Vyas (2007) in their paper studied the behavioural finance as a emerging science and its impact on human psychology that aims at understanding how it affects investment decision and also investigated how investment choice gets affected by the demographics of the investor and found that demographic factors play crucial role in decision making.

Many behavioural finance studies have shown that investors do not show rational behaviour while investing and their investment decision depend upon many behavioural biases (non-economic motives) influence their investment decision (Arieley, 2008; Barber and Odean, 2001; Nagy and Obenberger, 1994; Odean, 1999; Shefrin, 2000). The behavioural finance studies points out that MF investors (a) follow past performance for evaluating fund and (Barber et al., 2005); (b) they are not willing to easily sell their loss making fund so as to avoid realization of losses(Barber et al., 2005); (c) they show different behaviour towards fund expenses (Barber et al., 2005); and (d) they have a tendency to take credit of successful investments to their own skill and blame others and bad decision for failures (Shefrin, 2000). As yet, behavioural finance research provides little insight into:(a) the causes of these behavioural biases; (b) the impact of behavioural biases on investor's decision making process (Bailey et al., 2010). Finding a clear insight in to the above issues isof utmost significance for the marketers of MFs as the shopping for financial instruments has become increasingly like shopping for any other consumer items (Wilcox, 2003) wherein, prospective investors now have options to choose from a variety of financial instruments being offered to them.

Objectives of Study
1. To classify investors on the basis of aware and influenced investors.
2. To classify investors on the basis of active and passive investors.
3. To study the impact of investors awareness w.r.t factors influencing their investment decision.
4. To study the impact of investors active participation in managing funds w.r.t factors influencing their investment decision

Research Methodology
Initially exploratory study is done to identify various variables which investors consider important before investing in mutual fund. Some variables are also identified by personally interviewing sales advisors or agents. Variables are also identified on basis of which respondents can be classified into aware and influenced investors or active and passive investors. On a structured questionnaire responses were collected from investors on a five point likert scale which varies from totally agree to totally disagree. Responses are collected online as well as personally from the respondents. Then cluster analysis is applied to classify the respondents into aware and influenced investors or active and passive investors. T test and chi square test is used to analyse relationship between those clusters and demographics and previously identified factors influencing investors mutual fund investment decision.

Sampling Technique
A total of 450 respondents were contacted out of which 380 responses were found to be fit and complete for analysis. Judgement sampling technique is used to contact investors those who are mutual fund investors are contacted and asked to fill the questionnaire either with the help of agents, online and personally as well. Responses are collected from different districts of Odisha.

Analysis
Table 1 Demographic Distribution of Active and passive Investors of Mutual Funds.

			Active	Passive	Total	x^2 value (DF)
Gender	Male	N	82	112	194	0.323[NS] (1)
		%	49.4%	52.3%	51.1%	
	Female	N	84	102	186	
		%	50.6%	47.7%	48.9%	
Marital Status	Married	N	105	179	284	20.598* (1)
		%	63.3%	83.6%	74.7%	
	Unmarried	N	61	35	96	
		%	36.7%	16.4%	25.3%	

Occupation	Salaried	N	136	164	300	1.575[NS] (1)
		%	81.9%	76.6%	78.9%	
	Self Employed	N	30	50	80	
		%	18.1%	23.4%	21.1%	
Age	20-30	N	43	53	96	0.620[NS] (2)
		%	25.9%	24.8%	25.3%	
	30-40	N	92	114	206	
		%	55.4%	53.3%	54.2%	
	40-50	N	31	47	78	
		%	18.7%	22.0%	20.5%	
Annual Income	<2 Lakh	N	31	30	61	5.713[NS]
		%	18.7%	14.0%	16.1%	
	2-3 Lakhs	N	38	34	72	
		%	22.9%	15.9%	18.9%	
	3-5 Lakhs	N	34	50	84	
		%	20.5%	23.4%	22.1%	
	> 5 Lakhs	N	63	100	163	
		%	38.0%	46.7%	42.9%	
Annual Saving	< 50000	N	61	55	116	24.859* (4)
		%	36.7%	25.7%	30.5%	
	50000-100000	N	54	63	117	
		%	32.5%	29.4%	30.8%	
	1-3 Lakhs	N	43	53	96	
		%	25.9%	24.8%	25.3%	
	3-5 Lakhs	N	8	19	27	
		%	4.8%	8.9%	7.1%	
	> 5 Lakhs	N	0	24	24	
		%	0.0%	11.2%	6.3%	
Proportion of Savings to Investment	< 25000	N	72	88	160	16.462* (4)
		%	43.4%	41.1%	42.1%	
	25000-50000	N	47	35	82	
		%	28.3%	16.4%	21.6%	
	50000-100000	N	20	47	67	
		%	12.0%	22.0%	17.6%	
	1-2 Lakhs	N	19	20	39	
		%	11.4%	9.3%	10.3%	
	> 2 Lakhs	N	8	24	32	
		%	4.8%	11.2%	8.4%	
Education	Intermediate	N	8	28	36	17.312* (2)
		%	4.8%	13.1%	9.5%	
	Graduate	N	94	140	234	
		%	56.6%	65.4%	61.6%	
	Post Graduate	N	64	46	110	
		%	38.6%	21.5%	28.9%	

N.B. - * - Significant at 5% level (P<0.05), NS – Not Significant at 5% level (P>0.05)

Table 1demonstrates the demographic distribution of active and passive investors. In order to study the association between demographic aspects and nature of investors (Active / Passive), cross tabulation has been conducted supplemented with Chi-square test. The calculated Chi-square value against marital status (20.598), annual saving (24.859), proportion of savings to investment (16.462) and education (17.312) are found to be significant at 5% level (P<0.05). Similarly, the calculated Chi-square values against gender (0.323), occupation (1.575) and age (0.620) are not significant at 5% level (P>0.05). Accordingly, it may be observed that the distributions of active and passive investors on the basis of gender are almost equally distributed. In case of marital status, maximum of both active and passive investors fall under married status. But, the maximum of both active and passive investors fall in 30-40 years age followed by 20-30 and 40-50 years age groups. Further

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a little bit change is observed in annual income i.e. more active investors have income upto 3 lakh whereas more passive investors have income more than 3 lakh. Similarly, more active investors save upto 3 lakh annually and more passive investors save above 3 lakh. In proportion of savings to investment, more active investors fall into 50000 category where as passives appear in other groups. In case education, more passive investors are upto graduates and active investors are post graduates.

Table 2: Mean, SD and t-values of Overall Attitude of active passive investors towards Features of Mutual Funds.

		N	Mean	Std. Deviation	t-value
Mutual Fund Sponsor	Active	166	3.23	0.60	1.073 [NS]
	Passive	214	3.17	0.55	
Cost	Active	166	3.66	0.54	2.963*
	Passive	214	3.45	0.77	
Fund Performance	Active	166	3.48	0.67	1.271 [NS]
	Passive	214	3.40	0.58	
Fund Benefits	Active	166	3.37	0.60	0.555 [NS]
	Passive	214	3.41	0.67	
Risk	Active	166	3.61	0.56	0.583 [NS]
	Passive	214	3.57	0.73	
Promotion of Mutual Fund Schemes	Active	166	3.31	0.94	1.001 [NS]
	Passive	214	3.41	1.04	
Advisory Influence of Agents	Active	166	2.84	0.83	2.391*
	Passive	214	3.05	0.87	

N.B:- *- Significant at 5% level (P<0.05), NS- Not Significant at 5% level (P>0.05) at DF=378

Table 2 presents the mean, SD and paired t-values on overall attitude towards some features of mutual funds by active and passive investors. The t-values shown against mutual fund sponsor (1.073), fund performance (1.271), fund benefits (0.555), risk (0.583) and promotion of mutual fund schemes (1.001) are not significant at 5% level (P>0.05) for DF=378. This indicates that both active and passive investors have similar opinion towards mutual fund sponsor, fund performance, fund benefits, risk and promotion of mutual fund schemes. On the other hand, the t-values against cost (2.963) and advisory influence of agents (2.391) are significant at 5% level (P<0.05). In case of cost active investors are more concerned and gets effected as mean is more than passive investors whereas as far as advisory influence is concerned passive investors have higher mean score that means they rely more on advisory influence.

Table 3: Demographic Distribution of Aware and Influenced Investors of Mutual Funds.

			Aware	Influenced	Total	χ^2 value (DF)
Gender	Male	N	66	128	194	9.321* (1)
		%	41.8%	57.7%	51.1%	
	Female	N	92	94	186	
		%	58.2%	42.3%	48.9%	
Marital Status	Married	N	113	171	284	1.483 [NS] (1)
		%	71.5%	77.0%	74.7%	
	Unmarried	N	45	51	96	
		%	28.5%	23.0%	25.3%	
Occupation	Salaried	N	128	172	300	0.694 [NS] (1)
		%	81.0%	77.5%	78.9%	
	Self Employed	N	30	50	80	
		%	19.0%	22.5%	21.1%	
Age (Years)	20-30	N	27	69	96	11.376* (2)
		%	17.1%	31.1%	25.3%	
	30-40	N	100	106	206	
		%	63.3%	47.7%	54.2%	
	40-50	N	31	47	78	
		%	19.6%	21.2%	20.5%	

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Annual Income	<2 Lakh	N	15	46	61	11.270* (3)
		%	9.5%	20.7%	16.1%	
	2-3 Lakhs	N	38	34	72	
		%	24.1%	15.3%	18.9%	
	3-5 Lakhs	N	34	50	84	
		%	21.5%	22.5%	22.1%	
	> 5 Lakhs	N	71	92	163	
		%	44.9%	41.4%	42.9%	
Annual Saving	< 50000	N	45	71	116	25.316* (4)
		%	28.5%	32.0%	30.5%	
	50000-100000	N	54	63	117	
		%	34.2%	28.4%	30.8%	
	1-3 Lakhs	N	51	45	96	
		%	32.3%	20.3%	25.3%	
	3-5 Lakhs	N	8	19	27	
		%	5.1%	8.6%	7.1%	
	> 5 Lakhs	N	0	24	24	
		%	0.0%	10.8%	6.3%	
Proportion of Savings to Investment	< 25000	N	56	104	160	16.759* (4)
		%	35.4%	46.8%	42.1%	
	25000-50000	N	47	35	82	
		%	29.7%	15.8%	21.6%	
	50000-100000	N	20	47	67	
		%	12.7%	21.2%	17.6%	
	1-2 Lakhs	N	19	20	39	
		%	12.0%	9.0%	10.3%	
	> 2 Lakhs	N	16	16	32	
		%	10.1%	7.2%	8.4%	
Education	Intermediate	N	8	28	36	9.686* (2)
		%	5.1%	12.6%	9.5%	
	Graduate	N	94	140	234	
		%	59.5%	63.1%	61.6%	
	Post Graduate	N	56	54	110	
		%	35.4%	24.3%	28.9%	

*N.B. - * - Significant at 5% level (P<0.05), NS – Not Significant at 5% level (P>0.05)*

Table 3 demonstrates the demographic distribution of aware and influenced investors. In order to study the association between demographic aspects and nature of investors (Aware / Influenced), cross tabulation has been conducted supplemented with Chi-square test. The calculated Chi-square value against age (9.321), age (11.376), annual income (11.270), annual saving (25.316), proportion of savings to investment (16.759) and education (9.686) are found to be significant at 5% level (P<0.05). Similarly, the calculated Chi-square values against gender (9.321) and occupation (0.694) are not significant at 5% level (P>0.05). Accordingly, it may be observed that the distributions of aware and influenced investors on the basis of gender are distributed differently i.e. maximum males and female are influenced and aware respectively. In case of marital status, maximum of both aware and influenced investors are married with the similar trend in case of occupation also. But, the maximum of both aware and influenced investors fall in 30-40 years age followed by 40-50 and 20-30 years age groups. Further a little bit change is observed in annual income i.e. more aware and influenced investors have income above 3 lakh whereas less have income within 3 lakh. Similarly, maximum of both aware and influenced investors save upto 3 lakh annually. In proportion of savings to investment, more aware investors fall into 50000 category with influenced investors as well. In case education, maximum of aware and influenced investors are upto graduates.

Table 4: Mean, SD and t-values of Overall Attitude Towards Some Features of Mutual Funds by Aware and Influenced Investors.

		N	Mean	Std. Deviation	t-value
Mutual Fund Sponsor	Aware	158	3.18	0.60	0.487 NS
	Influenced	222	3.21	0.56	
Cost	Aware	158	3.64	0.53	2.412*
	Influenced	222	3.47	0.78	
Fund Performance	Aware	158	3.44	0.65	0.075 NS
	Influenced	222	3.43	0.60	
Fund Benefits	Aware	158	3.33	0.62	1.609 NS
	Influenced	222	3.44	0.65	
Risk	Aware	158	3.67	0.61	1.566 NS
	Influenced	222	3.53	0.69	
Promotion of Mutual Fund Schemes	Aware	158	3.39	0.94	0.416 NS
	Influenced	222	3.35	1.03	
Advisory Influence of Agents	Aware	158	2.76	0.77	3.962*
	Influenced	222	3.11	0.88	

*N.B:- *- Significant at 5% level (P<0.05), NS- Not Significant at 5% level (P>0.05) at DF=378*

Table 4 presents the mean, SD and paired t-values on overall attitude towards some features of mutual funds by aware and influenced investors. The t-values shown against mutual fund sponsor (0.487), fund performance (0.075), fund benefits (1.609), risk (1.566) and promotion of mutual fund schemes (0.416) are not significant at 5% level (P>0.05) for DF=378. This indicates that both aware and influenced investors have similar opinion towards mutual fund sponsor, fund performance, fund benefits, risk and promotion of mutual fund schemes. On the other hand, the t-values against cost (2.412) and advisory influence of agents (3.962) are significant at 5% level (P<0.05). The aware investors have better satisfaction in cost whereas influenced investors have better satisfaction towards advisory influence of agents.

Conclusion

The major findings from the study are:

Awareness of investors does not have any impact with respect to gender and occupation on their decision. No difference can be seen. On the other hand awareness level of investors do influence investment decision making w r t age, income, saving and education.As far as relationship between aware and influenced investors and factors influencing investment decision is concerned investment decision do not vary much w .r.t fund performance, fund benefits risk promotion. Whereas on the other hand when it comes to cost and advisory influence aware investors gets more affected with cost whereas advisory influence have greater impact on influenced investors.

As far as active passive investors are concerned no difference can be seen w r t gender, occupation and age. On the other hand difference in investment decision with respect to marital status, annual saving, proportion of saving to investment, and education is significant, which means these parameters do have an impact on active and passive investors decisions. As far as education is concerned an important finding came out that most of the active investors fall under post graduate category. As far as impact of active passive investors on investment decision w r t factors influencing investment decision is concerned in case of cost, active investors gives more importance and gets effected as mean is more than passive investors whereas as far as advisory influence is concerned passive investors have higher mean score that means they rely more on advisory influence.

Suggestions for future research

This research is done in Odisha and can be extended to undertake research in other parts of country as well. The results from this research can be utilized for carving out good mutual fund schemes for the different class of investors. This paper gives an insight into different classes of investors and what factors they give importance to before investing. This information is highly relevant to various mutual fund companies and advisors to help their investors in a better way.

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