IMPACT OF SEGMENTATION AND EDUCATION OF INVESTORS ON INVESTMENT DECISION MAKING IN MUTUAL FUNDS

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Abstract
Mutual funds are associations of interested members in investment on financial instruments of the corporate sector for their mutual benefits. The fund collects money from the savings of members with a view to maximize the income and capital appreciation. The investment decisions of fund manager are based on intensive research and experience. Mutual funds have a significant role in channelizing savings into the capital market.

Key Words: Mutual Fund, Segmentation, Investment.

Introduction
Mutual fund is a non depository or non banking financial intermediary is an important vehicle of bringing wealth holder and deficit units together indirectly. Under mutual fund arrangement, the investors pool their money in a fund, which is run by professional fund manager. The fund manager invests the pooled funds in a wide range of securities. To value of each unit/share reflects the performance of the shares of the companies in which to pool funds have been invested. It is a form of collective investment. The mutual fund is basically a risk reduction tool is achieved by diversification of the portfolio. Diversification means that a mutual fund invests in a large number of shares and investments, which lower the risk. Further, the investment decisions of fund manager are based on intensive research and experience.

The Indian mutual fund industry has come a long way since its inception in 1964. The period 2000-2010 is an important decade for the Indian Mutual Fund Industry. While the Industry got opened up for private and international fund houses in the 1990's, it was during the last decade that the Industry actually saw the emergence of the Mutual Funds, as an industry to reckon with in the financial services space. The mutual fund industry has seen a remarkable growth in its various dimensions. In the light of the fast growth and increasing importance of the mutual fund industry, understanding of investor behavior is critical to policy makers and asset· managers to successfully meet the many challenges and opportunities. Unfortunately the growth in mutual fund assets has not been paralleled by a corresponding focus on mutual fund individual investor, and the process by which he makes investment decision. At the retail level, investors are a unique and heterogeneous group. While the need for effective marketing is well understood by mutual fund companies, there is limited understanding of how consumers make product choices in this marketplace. Consequently, this multitrillion-dollar industry, as well as government agencies charged with regulating this marketplace, are left to make their marketing and public policy decisions with little knowledge of consumers' choice processes-choice processes that have grown significantly more complicated over the last few years. The two important factors affecting retail investments are wealth creation and market performance. The mutual fund Stature has long recognized that investors respond to mutual fund performance and has documented a positive relation between net fund flows and past performance.

Review of The Literature

Saba Asish and Rama Murthy Y Sree (1993-94) identified that return, liquidity, safety and capital appreciation played a predominant role in the preference of the schemes by investors. Kulshreshta (1994) offers certain guidelines to the investors in selecting the mutual fund schemes. Radha (1995) found that investors have certain primary objectives and gave importance to them while making investment plans. Capital appreciation was considered as the most important objective. It was also observed that investors' investment objectives differed depending on their occupation and income. Shankar (1996) points out that the Indian investors view Mutual Funds as commodity products and AMCs, to capture the market, should follow the consumer product distribution model.

Need of The Study

There is empirical evidence that mutual fund investors make purchase decisions on the basis of past performance. In this context the evaluation of the performance of equity oriented schemes gains importance. For both academia and the Mutual Fund Industry this study provides useful knowledge. The study first focuses on the growth of the mutual fund industry and the performance of select equity oriented mutual fund schemes. More importantly it analyses the investment behavior and fund ownership characteristics of mutual fund investor. Based on the information sources used and the selection criteria employed by the investors, the study identifies different investor groups. The understanding of individual investor behavior holds practical importance for developing appropriate marketing strategies within the mutual fund industry.

Objectives of The Study

1. To study the mutual fund ownership features and determine the impact of demographic factors on the fund ownership features.
2. To find out the impact of investor education on investor responsibility levels, future intensions to invest in mutual funds.
3. To make appropriate suggestions in order to improve the perception and educations of investors towards the investment in mutual fund market.

Methodology of The Study

The study is analytical in nature and it explores both primary and secondary data. Consequently a well structured questionnaire was used to gather information from the mutual fund investors. Secondary data for the study has been drawn from books, journals, periodicals websites etc., The study on individual mutual fund investor behavior was conducted in Amaravathi Capital Region Development Authority (CRDA), Andhra Pradesh is being the capital of Andhra Pradesh has been chosen for the study. Simple random sampling method has been adopted in selecting the respondents for the study. Totally 900 questionnaires were distributed to mutual fund investors but only 720 questionnaires were returned. Of this only 606 questionnaires were found to be complete in all aspects and fit for analysis. The data collected from both the sources were scrutinized, edited and tabulated. The data is analyzed using statistical package for social sciences (SPSS) and other computer packages. The statistical tools that were used in this study are Parametric t-test, One-way analysis of variance, Factor analysis, K-means cluster analysis, Multiple discriminant analysis and Non-parametric chi-square analysis.

Limitations of The Study

The study suffers from the following limitations that should be considered carefully at the time of generalizing the findings of the study:

1. The study is confined to mutual fund investors in Capital Region Development Authority (CRDA), and so the results of this study need to be placed in proper perspective before being applied elsewhere.
2. The growth of the industry has been mapped with respect to only select variables-asset management companies, schemes, investor accounts, assets under management and resources mobilized.

Findings of The Study
1. It is observed that the majority of the respondents (56.6 percent) have been investing in mutual funds only during the last 2 to 5 years. Only 9.3 percent of them have been investing for more than 10 years.
2. It is observed that the majority of the respondents (67.8 percent) the average holding period of their mutual fund investment is 2 to 5 years and for 27.6 percent of them it is less than 2 years.
3. It is observed that the Cluster analysis permitted grouping of investors on the basis of both information sources and selection criteria factors independently.
4. Of the six demographic variables studied, only two variables marital status and education are associated with the 9 composite groups at 5% level of significance. An F test revealed that there is significant difference between income levels and each of the nine investor groupin & s at 10% level of significance.

Suggestions of The Study
Investor awareness is the prerequisite for achieving transformational growth of mutual funds. This requires planning, financing and executing initiatives aimed at increasing financial literacy and enhancing investor education across the entire country through collaborative efforts of SEBI, AMFI, AMCs, Confederation of Indian Industry (CIl), Ministry of Finance and the media. The Investor Awareness Programs should be so designed and planned with a long term perspective of at least 5 years to get the desired benefits. To create greater awareness of mutual funds among potential investors, SEBI/ AMFI must make efforts to have the concept of financial planning and mutual funds in particular introduced at high school and college levels, sponsor research programs and undertake publicity seminars/conferences at the regional level and in regional languages. Knowledge of financial products is ingrained in school and college curriculum in countries like UK, US and France.

Attractive Product Offering
The market success of any product, particularly a financial product, depends largely on its acceptance by consumers, in this case investors. Asset management companies need to introduce a new range of offerings in the market **in** order to attract investments. The identification of market segments that rely differentially on various information sources and employ various selection criteria is consistent with hub and spoke model mutual funds (master-feeder funds) which have been introduced in the US and this can be introduced in India.

Leveraging Technology
Personal computers, mobiles, sophisticated hardware and software, as also advances in information and communication technology are enablers that can be harnessed effectively to increase retail mutual fund penetration in India and to also increase the profitability of the industry. Fund houses need to assign an increased budget for investment in technology, which will help them streamline their distribution. networks and increase efficiencies in their business. Net asset value updates on mobile phones, unit

balance alerts via SMS messages, transacting through ATM cards etc are some of the ways to promote mutual fund service and attract customers.

Conclusion

It can be concluded from the study that the mutual fund industry has showed significant growth in all areas during the last decade. In spite of India offering an exciting retail environment, with abundant growth opportunities, participation from the segment of individual investors continues to remain at low levels. The findings of the study suggest that this objective has not been achieved. The survey revealed interesting observations about individual investors. The results of the survey also suggest that that these investors can be grouped into market segments such that there is homogeneity within groups and heterogeneity across groups.

Scope for Further Research

The study can be extended to identify investor's behaviour specifically in mutual funds arena by selecting products under the various mutual fund types.

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