CHAPTER IX

SUMMARY, FINDINGS AND SUGGESTIONS

9.1. Introduction

Financial markets are the backbone of every economy. The booming Indian financial market has a lot to do with the booming Indian economy. One of the important functions of the financial market is to turn the savings of the people into investments in corporate. In India the emergence of an array of savings and investment options and the dramatic increase in the secondary market for financial assets in the recent years has opened so many new avenues. The Indian mutual fund industry has marched in step with the country’s booming capital market. In recent years mutual funds have emerged as long term saving vehicle for retail investors. Mutual funds are the best option for an individual who does not have time, knowledge, experience in market etc. Mutual funds have come, as a much needed help to these investors. Mutual funds are looked upon by individual investors as financial intermediaries /portfolio managers who process information, identify investment opportunities, formulate investment strategies, invest funds and monitor progress at a very low cost. Thus
the success of mutual funds is essentially a result of the combined efforts of competent, fund managers and investors. A competent fund manager should analyse investor behaviour and understand their needs and expectations, to gear up the performance to meet investor requirements. Under such a situation, the present study is an attempt to understand the investors attitude and behaviour towards mutual fund investment. It mainly focused on the investment pattern of the investors, attitude of investors, risk profile of investors, perception of investors and problems, grievance and redressal measures in mutual fund investment.

The specific objectives of the study are:

• To reveal the investment pattern of the mutual fund investors in Kerala.
• To examine the investors attitude towards mutual funds investment.
• To analyse the risk tolerance level of mutual fund investors.
• To examine the perception of Mutual fund investors towards mutual fund investment.
• To study the problems encountered by the mutual fund investors and the level of grievances and redressal mechanism in Kerala.

The present study is based on survey method. Total of 450 sample investors are selected. The state Kerala is divided into three geographical regions, the southern region, the central region and the northern region for the purpose of the study. One district each has been selected at random from each of the three regions. The districts selected are Thiruvananthapuram from southern region, Ernakulam from the central region and Kozhikode from northern region. A sample of 150 individual investors have been selected from each sample districts
on simple random basis from the list of investors collected from mutual fund agents and mutual fund distributors. The 450 sample investors were stratified into two categories namely small and large investors.

In the foregoing chapters, investment pattern of the investors, attitude of investors towards mutual funds investment, risk tolerance level of mutual fund investors, the perception of mutual fund investors towards mutual fund investment and the problems encountered by the mutual fund investors and the level of grievances and redressal mechanism in Kerala were discussed. In the present chapter, major findings derived from the analysis are summarized along with conclusion and suggestions.

9.2. Summary of Findings

9.2.1. Mutual Fund Investment Pattern in India

The growth of mutual fund investment in India is amazing. The average assets under management indicated vibrant growth levels posting a year to year growth of 47 per cent in 2009-10, and the total AUM stood at `613,979 crore, as of March 31, 2010. Gross mobilisation of resources under open-ended schemes during 2009-10 was `99,76,363 crore, of which, about 76.8 percent was raised by the private sector mutual funds followed by public sector funds (14.4 percent) and UTI MF (8.8 percent). There were 882 mutual fund schemes as on March 31, 2010 run by 39 asset management companies. Individual investors held 39.9 percent of the net assets in public sector mutual funds, their share in private sector mutual funds was 39.7 percent.
9.2. 2. Investment Profile of the Investors

The important investment avenues, among the small investors are bank deposits and gold whereas among large investors, these two investment avenues are mutual funds and real estate. Garrett’s ranking is used to analyse the investors preference on various investment avenues, the result revealed the investors give first rank to bank deposits and second to gold. Mutual funds got seventh rank only. The most important investment objective among the large and small investors is children’s education. The important investment amount on mutual funds among the investors is less than 50000. Important source for investment of large and small investors are by closing other investments and savings respectively. The investors mainly depend on agents/brokers for source of information.

Regarding the experience of investors, majority of the investors have less than 2 years experience in mutual fund industry. Majority of the investors hold 1 to 4 number of mutual fund schemes. Small investors hold 1 to 4 schemes and large investors hold 5 to 8 schemes. Regarding the intention of investors towards increase the size of investment, majority of them are willing to increase the size of investment. Large investors are ready to increase the size of investment and small investors are not ready. 26 to 50 percent investors are willing to increase the investment on mutual funds. Main reason for the small investors are not willing to increase the size of investment is high volatility whereas in large investors this reason is low returns. Majority of the investors are long term investors. Regarding the strategy of investment, the important strategy is ‘keep holding till the return matches the target’.
The socio economic characteristics of 450 respondents revealed that 33.33 per cent of the respondents are in the age group of 31 -40, and the education level of the respondents shows that 49.78 per cent are graduates, 20.67 per cent are post graduates and 10.89 per cent are professionals. Most of the respondents (67.56 per cent) are male and the investors marital status is married (60.22 per cent) and unmarried (33.56 per cent). The dominant occupational background among the investors is salaried group(40.44 per cent) and business(30.22 per cent). The important annual income among the investors is income up to ` 100000 and important annual savings among the investor is up to ` 10000. The most important family size among the investor is 3 to 5. The important family size among the small and large investor is 3 to 5 members.

Demographic factors and investment pattern are closely related. The relationship between various demographic factors and investment pattern is analysed with the help of chi-square test. It is found that there is significant association between district and annual savings, district and number of family members, age and investment objective, gender and investment objective, occupation and investment objective, income and investment objective, gender and investment in mutual fund, occupation and investment in mutual fund, income and investment in mutual fund, experience and numbers of schemes, age and type of investment, occupation and type of investment, income and type of investment.

9.2.3. Attitude of Investors towards Mutual Fund Investment

Likert’s summated five point scaling technique is used to find out the most important factor and least important factor influencing the investors to
invest in mutual fund. T-test is used to find the significant difference among the large and small investors. The important influencing factors among the small investors are liquidity factor, brand equity, risk involved and past performance of the fund whereas among the large investors, these influencing variables are schemes portfolio, reputation of fund manager and type of fund. Regarding the factors influencing the investors, the significant difference among the small and large investors have been identified in the case of type of fund, schemes portfolio, reputation of fund manager, liquidity factor and risk involved. The higher discriminant co-efficient is identified in the case reputation of fund manager, risk involved and schemes portfolio.

In order to identify the important discriminant factors among the two groups of investors, the two group discriminant analyses have been executed. Wilks Lambda has been computed to identify the significance and discriminant power of the factors. The higher discriminant power is identified in the case of schemes portfolio, reputation of fund manager and risk involved. The higher relative contribution to the total discriminant score is identified in the case of reputation of fund manager, risk involved and schemes portfolio.

The impact of influencing variables on their investment on mutual funds among the small and large investors have been analysed separately and also for pooled data. Five point scaling technique is used and analysed by regression tool. The significantly influencing variables on the investment on mutual funds among the small and large investors are brand equity, past performance of the fund, liquidity factors and risk involved.
Mutual funds are classified on the basis of its investment objective, functions etc. T-test is used to study the preferred mutual fund among the investors. The means score of each type of mutual fund have been computed to exhibit the preference of mutual funds among the two types of investors. The highly preferred funds among the small investor are, balanced schemes and tax saving scheme and income schemes whereas in large investors, these are sector specific schemes, money market schemes, and equity schemes. The significant difference among the two group of investors have been identified in the case of equity schemes, sector specific schemes, income schemes, gold ETF, balanced schemes, tax saving schemes and bond schemes.

To analyse the variables considered for selecting mutual fund, t-test and factor analysis are used. The important variables considered for investing mutual funds among the small investors are minimum investment, fringe benefits and past performance whereas in large investors these important variables are rating by rating agency, frequent communication and disclosure of NAV.

Similarly factor analysis is also used to find out the factors considered for selecting mutual funds. Fifteen variables are used for the study. Factor analysis reduced the factors into four factors which are named as, ‘Service quality’, ‘Portfolio’, ‘Performance’, and ‘Reputation’. The important factors considered for selecting mutual funds are service quality and portfolio.

Discriminant analysis reveals that the important discriminant factor among the small and large investors is service quality.
The important expectations from the mutual fund among the investors are analysed with the help of t-test and factor analysis. The important expectations of the small investors are safety of the fund, lock in period and broker/agent recommendation, among the large investors, these expectations are capital appreciation, transparency and tax benefit. Regarding the expectation from mutual fund, the significant difference among the small and large investors are noticed in the case of safety of the fund, product features, problem freeness, liquidity, lock in period, tax benefit, service behaviour, emergency need fulfillment, transparency, delivery Schedule, sponsor reputation and broker/agent recommendation.


Investors expectation on important factors in mutual fund is analyzed with the help of ‘t’ test. Regarding the level of expectation in small investors, the level of expectation is high in liquidity, safety and promotion these factors are service quality, performance and product feature for large investors. Regarding the key expectations, the significant difference among the small and large investors have been identified in the case of factors namely liquidity, service quality, safety and product feature. The higher discriminant power is identified in the case of liquidity and service quality.

9.2.4. Risk Tolerance Level of Investors

To know the risk element among various mutual funds, Henry’s
Garrett Ranking technique is employed. Mutual fund which has low risk is debt fund, gold fund, balanced fund, tax saving fund and diversified fund. Funds which have high risk are sector fund, reality fund, index fund, and equity fund. Regarding the risk level of small investors, the important groups are tax saving fund, debt fund and balanced fund, among large investors, these groups are diversified fund, equity fund and balanced fund. The significant difference among the small and large investors have been identified in the case of sector fund, gold fund, balanced fund, diversified fund, index fund, reality fund, debt fund, tax savings fund and equity fund.

Regarding the investors attitude towards different type of risk, the important risk among the small investors are market risk, political risk and management risk, among the large investors these are industry risk, market risk and currency risk. The important variables regarding the investors feeling on risk among small investors are investment options is high NAV funds, investment in bearish market and investment without knowledge, whereas large investors, these variables are investment in a single funds, investment in private sector fund and investment in high NAV funds.

The risk tolerance of mutual fund investors is analysed by t-test. There are fifteen variables used for this study. The important variables in risk tolerance level among the small investors are mutual fund investment is risky, investment in new generation funds are safe, political factor is one of the main factor in risk, and investment in diversified funds are less risky whereas among the large investors, these variables are mutual fund investment is risky,
investment in diversified funds are less risky, political factor is one of the main factor in risk and mutual funds spread the risk.

Regression is also used to study the risk tolerance of mutual fund investors. The analysis of pooled data reveals that the significantly influencing profile variables are gender, age, level of education, occupation, annual income, annual savings, year of experience and number of mutual funds invested. The change in risk tolerance on profile variables explain the change in the risk tolerance level of mutual fund investors.

Factor analysis is used for to study the factors influencing risk tolerance among mutual fund investors. The rotated factor matrix of the identified fifteen variables are calculated to show the inter–relationship among the variables and feelings of investors about risk on various investment and all the 15 variables have been extracted into 5 factors. They are risk based on market, risk based on type of fund, Risk based on external factors, risk based on nature of fund and risk based on general factors. The important factors extent the feeling of investors to invest various options are risk based on market, risk based on type of fund.

9.2.5. Perception of Mutual Fund Investors

Regarding the knowledge of investors on mutual funds t –test is used for the study. Small investors have good knowledge about type of funds and lock in period. Among large investors, they have good knowledge on fund’s investment objective and type of funds. The small investors are much aware of Systematic Investment Plan (SIP), ELSS and AMFI, among large investors, they are having good awareness about Systematic Investment Plan (SIP), NFO and AMFI.
Majority of the small investors accept the perception, mutual funds are useful for small investors, and mutual funds are healthy for Indian financial environment and public sector mutual funds are safe. The large investors favoured opinion are mutual funds with large corpus perform better, mutual funds with high NAV is good for investment and Mutual Fund investment is an asset for future.

To study the investors perception about important aspects in mutual fund, factor analysis is used. Fourteen variables are taken for the study and all the 14 variables have been extracted into 4 factors. The important factors regarding the perception of investors about mutual funds are investment, return, future and tax savings. Opinion about mutual fund is again analyzed with the help of ‘t’ test. Majority of the small investors are favourable to the perception about tax savings and investments and important discriminant factor among the small and large investors are ‘future’.

Important reasons for switching/withdrawal among the small and large investors are performance, return and NAV, whereas in the large investors case these reasons are lack of investor redressal mechanism, fund managers efficiency and future scope of fund. This is again analysed with the help of factor analysis. Thirteen factors are used for this study and these thirteen factors are extracted into 3 factors viz., lack of performance, lack of redressal mechanism and lack of appreciation. The most important factor is lack of performance. In order to identify the important discriminant factors among the two groups of investors, the two group discriminant analyses have been executed. The analysis
reveals that the important discriminant factors among the small and large investors are lack of appreciation.

9.2.6. Problems encountered by the mutual fund investors and the level of grievances and redressal mechanism

Regarding the problems of mutual fund investors, highly viewed problems among the small scale investors are untme investment, poor portfolio, and wrong investment patterns, among the large scale investors, these problems are poor fund management, delay in redemption request, non-publication of daily NAV, inefficient fund manager, and recession in dollar value.

The factor analysis has been administered to narrate the variables into factors. Twenty factors are identified for this study. These factors reduced to five. They are fluctuation in market conditions, poor information, lack of fund management, investment problems and environment. The most important factor is fluctuations in market condition.

In order to identify the important discriminant factors among the two groups of investors, the two group discriminant analyses have been executed. Initially, the mean difference in all factors, its ‘t’ statistics and wilks Lambda have been computed to identify the significance and discriminant power of the factors. The analysis reveals that the important discriminant factors among the small and large investors are lack of fund management, investment problem and poor information.

Regarding the problems in mutual funds dealings, t-test is used. The important problems for the small investors are non receipt of account statement, non receipt of dividend and delay in redemption. Among the large
investors, these factors are problem with mutual fund agent/ distributors, misleading advertisement and delay in switching transactions. To identify the important discriminant factors among the two groups of investors, the two group discriminant analyses have been executed. The important discriminant factors among the small and large investors are delay in switching transaction, problems with mutual fund agents/distributors and non receipt of dividend.

Majority of the investors are facing difficulties in mutual fund dealings, Out of 253 small investors 76.28 percent investors have difficulties in mutual fund dealings. Among large investors, 73.60 percent are having difficulties. Investors face high difficulties in Kozhikode district, and low difficulties in Ernakulam district. Majority of the investors use the redressal measures, majority of the investors approach their distributor or agent for solve their complaints. Both small and large investors, select the distributor or agent to complaint their problems.

Regarding the investors attempt to solve their complaint, majority of the small investors attempt was negative, but the same time majority of the large investors are having positive experience. Both small and large investors feeling and experience are good. The important factors regarding the opinion of Investors towards grievance and redressal set up in Mutual Funds are Rights and Protection.

9.3. Suggestions

Based on the analysis and findings of the study, the following suggestions have been made which would help the mutual fund industry as well as mutual fund investors.
• Reputation and quality of the fund manager is the key to the success of any asset management company as well as mutual fund schemes. A very good performing scheme may suddenly start under performance because of the change in the managers. So the Asset management companies must take much care in appointing fund managers and retaining. No fund manager can allow to manage more than 3 schemes at a time.

• There is a need for a special legal care to investors in mutual fund industry. At present the legal provisions relating to redress the investors grievances are mingled with various laws like Companies Act 1956, Securities Contract Act 1956, Consumer Protection Act 1986 and SEBI Act 1992. It is necessary to construct and implement a new law for the protection of mutual fund investors.

• All mutual fund companies should give a card named investment card to their investors. This is just like an ATM card. The investors can use the card for fresh investment, additional investment, redemption and dividend purpose. Necessary investment machines like ATM machines should be arranged in all mutual fund offices. It helps the investors to do the transactions without delay and enable the asset management companies to reduce the complaints related to redemption and dividend issues.

• New fund offer (NFO) applications and other mutual fund applications should be in regional languages also. This will help all type of the investors to understand the details and risk factors more clearly.
• SEBI should take strong steps to control the biased investment recommendation given by financial journals, dailies, websites and visual medias. It is essential to take steps against misleading advertisements especially in the launching of new fund offers (NFO).

• Poor portfolio management is the major problem of investors in mutual fund. This is inspite of the professional management of the funds. Hence efficiency audit should be made mandatory.

• SEBI should encourage to organize investor associations, so that they can contribute more to the development of mutual fund industry. This helps in providing necessary assistance to the needy investors.

• To attract the younger generation into the mutual fund industry, mutual fund should be included in school curriculum.

• Asset management companies collect feedback from the investors and study the investors problems, opinion etc in frequent intervals, which will help to give better service to the investors and also create and maintain a good relation with the investors.

• Increased risk is a major factor which discourage investors from committing fresh funds in the market, hence appropriate risk awareness programme through print and visual media should be provided to improve the risk perception of investors.

• To educate the investors, asset management companies and SEBI can organize seminars, training programmes, etc to investors especially in the time of market fluctuation, economic recession, new products
introduced in the market etc. It reduces the confusion of investors and create a confidence about the market.

- Necessary training programmes should be arranged to the financial advisors/agents/distributors. AMFI should take care about the certification of financial advisors and the certificate should be renewed once in 3 years instead of 5 years.

- There should be a compulsory rating for all mutual fund schemes. This rating enables the investors to choose the right and suitable schemes. This measure will go a long way in promoting investor interests in the mutual fund investment.

- At present SEBI operations are based on regional basis. For the speedy settlement of mutual fund issues, SEBI can organize a grievance committee on every state capital, so that the investor’s grievance can be settled within time.

- Government should give more tax concession to ELSS schemes and extent the tax benefits to other schemes also. This will attract the investors to invest more in mutual funds.

- There is a need to make it mandatory to every mutual fund to make transparency of the problem of investment and the NAV of the schemes it launched at periodic intervals. This transparency of the fund operation will also infuse confidence in the minds of the investor and enable them to take suitable decisions at right time to continue or liquidate their investment.
• The mutual fund companies should design variety of products to the investors to attract all type of investors. It is necessary to develop new ideas, then only the investors prefer the particular asset management company’s schemes.

• The asset management companies should give top priority to mutual fund investors, without investors there was no fund, no asset management company. Documents should be dispatched to the investors in right time.

• The asset management companies should focus on the small investors. A small drop of water can make a mighty ocean, the small investors are the backbone of the industry. So it should take much care to solve the needs of small investors.

• All asset management companies give more importance to metros and cities. It is necessary to give importance to the investors in rural area and expand their service to the areas. Then only the industry can show a balanced development. Mutual fund companies need to introduce products for the semi-urban and rural markets that are affordable and yet competitive against low-risk assured returns of government sponsored saving schemes such as post office saving deposits.

9.4. Conclusion

In today’s volatile market environment, mutual funds are looked upon as a transparent and low cost investment vehicle, which attracts a fair share of investor attention helping spur the growth of the industry. AMCs therefore need to reorient their business towards fulfilling customer needs. As customers
seek trusted advisors, the manufacturer-distributor-customer relationship is expected to be centered not on the sale of products, but for collectively promoting the financial success of customers across all facets of their professional and personal lives. This requires creating a collaborative network of experts in funds management and financial advice, innovative product offerings, efficient service delivery and supporting technology. The mutual fund industry today needs to develop products to fulfill customer needs and help customers understand how its products cater to their needs. Performance of the industry has been strong and it is well-placed to achieve sustainable growth levels. The way forward for the next couple of years for the mutual fund industry would be influenced hugely by the journey undertaken till this point of time and the changing demographic profile of investors.

9.5. Scope for further Research

The present study is an attempt to analyse the attitude and behaviour of mutual fund investors in Kerala. Yet, several such areas have been identified that warrant for further research. such areas are summarised below:

1. A study of the nature can be extended to all the states.
2. Investors attitude towards a particular asset management company’s funds may be analysed.
3. Performance of mutual fund industry in India.
4. Investors attitude towards particular type of funds like sector funds, tax funds, index funds etc.,
5. Further research can be made to analyse the behaviour of institutional investors.