CHAPTER - VIII

FINDINGS, CONCLUSION
AND
SUGGESTIONS
8.1 INTRODUCTION

With persistent and sustainable liberalization policies, Indian economy is gradually marching towards high growth path. All the asset management companies are devising their future strategies looking at the trends of economic growth of India. Mutual fund organisations therefore are required to upgrade their technology and be more innovative and establish effective distribution channels and network to rope in retail investors. For a successful run, mutual fund organisations along with AMFI (Association of Mutual Fund Organisation of India) should contribute to policy making with SEBI to gain investor's confidence. India is lagging much behind developed nations in terms of growth in asset under management. Improving the retail participation and homogeneous geographical representation may give boost to the capital formation. SEBI’s direction to mutual funds and AMCs to set apart at least two basis points (0.02%) annually on daily net assets within the maximum limit of total expense ratio28 (‘TER’) for investor education and awareness initiatives be followed both in letter and spirit. This will help the mutual fund industry become more vibrant in achieving growth and financial inclusion. Further, mutual funds should launch various customised schemes for different strata of investors considering their demographic profile. Awareness programs along with innovative schemes coupled with enhanced distribution network can influence asset under management in a positive way making fund houses support both primary and secondary market. Indian market regulator, SEBI, has undertaken many initiatives to further the financial inclusion through mutual fund. One of such initiatives is to allow AMCs to charge additional total expense ratio (TER) up to 30 basis points (bps) depending upon the extent of new inflows from locations beyond top 15 cities which is expected to enhance the penetration into newer geographical locations.

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28 According to the circular no. cir / imd / df / 7 / 2013, issued on 23rd April 2013, Brokerage and transaction cost incurred for the purpose of execution of trade may be capitalized to the extent of 12bps for cash market transactions. Any payment towards brokerage and transaction cost, over and above the said 12 bps for cash market transactions may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under regulation 52 of the SEBI (Mutual Funds) Regulations, 1996. Any expenditure in excess of the said prescribed limit (including brokerage and transaction cost, if any, shall be borne by the AMCs or by the trustee or sponsors.
Behavioral finance is concerned with psychological influences in financial decision-making while investing in financial markets. Researchers define behavioral finance as being 'the study of how humans interpret and act on information to make informed investment decisions'. In the past, conventional finance dismissed the idea that investment decisions can be hindered by people's own psychology. Conventional or traditional finance assumes that people make rational decisions and are unbiased in their predictions about the future. Based on the previous literature reviews, which are backed by primary surveys and empirical research findings, it may be concluded that retail investors are very much influenced by behavioral biases and it reflects in their personal investment policies. Investors are risk averse but individual investors are comfortable in taking risk when they are familiar with the financial products or the process of investment. That is, investors perceive less risk and trust the investment option if they are personally engaged in the activity and aware of the process. Retail investors also take up more risk if they see more benefit \textit{(in terms of return)} from the investment.

Human judgments, impressions and opinions are fashioned by the backgrounds, personal understanding, and professional experiences. There are substantial numbers of factors that influence person's risk perception. Each and every retail investor has different perception of conceptualizing the risk inherent in the investment option. Knowledge and awareness, to a much extent, reduces the anxiety and fear inherent in the risk of investment. Past research on savings and investment by retail investor in India shows that demographic factors \textit{(such as age, gender, occupation, income level, geographical location, etc.)} influence and affect the investment behavior. From various research findings on retail investors of India, it has been established that salaried and the retired wishing to invest in mutual funds expect higher tax rebates so that return can be enhanced when combined with tax benefits. Few researchers have also concluded that retail investors coming under the low income group, are more inclined towards small saving schemes sponsored by Government of India. Therefore, efforts should be made to simplify the procedure of small savings schemes to suit the needs of illiterate and socially downtrodden people. Further, an increase in the rate of interest of small savings schemes can also meet the challenges posed by commercial banks.
The retail investors look for safety of principal, liquidity and capital appreciation in the selection of mutual funds. As a result, income schemes and open ended schemes are more preferred than growth schemes and close ended schemes. This is corroborated by the research findings that the net investment trend of mutual funds investors during 2012 to 2014 was more on debt and tax saving funds than growth and close ended-funds.

8.2 FINDINGS

Findings of the study under different heads of the analysis have been given as under:

[A] Medical Expenses and Investment in Mutual Funds

Earlier research papers on the correlation between medical expenses and investment show that investment made by retail investors get affected by their health condition and expenses on medical care for self and dependants. In this study, it has been identified that in case of retired investors (both “retired working” and “retired not working”) invest less in mutual funds when medical expenses increases. It has also been found that both “retired” and “non-retired” investors are shying away from big time investment in mutual when their expenses on health care is on higher side.

[B] Investment Objective of Retail Investors

Both male and female possess significantly different saving objectives. Investors under the income level of “Rupees six to eight lakhs” have higher preference to acquire movable and immovable properties than any other income group. Investors under income group of “Rupees four to six lakhs” do not prefer to acquire property. Similarly, investors under the income group of “Rupees eight to ten lakhs” show high preference for investing money on “children education and marriage”. All income groups are interested to invest for building retirement fund, out of which, investors under the income category of “Rupees two to four lakhs” and “Rupees six to eight lakhs” are more inclined towards investing for retirement fund. Only, investors who are earning “Rupees four to six lakhs” are not much inclined to develop retirement fund. All the investors across the income groups are serious to invest to pay and clear outstanding dues. Further, every income group is eager to save money to face any future contingencies and, therefore, wants to invest in liquid form to face the future
unforeseen challenges. This reflects that there exists significant difference in preference of saving objectives among the different income groups.

So far as the saving objectives for five age groups are concerned, there exists significant difference of opinion, except objective “To Buy Movable or Immovable Property”. Investors below 60 years are showing more preferences towards investing money for buying properties as compared to senior citizens (retired retail investors). Respondents below forty years are not much eager to save for “children education and marriage”. Considering the mean values of rating given by the retail investors across the age groups on the saving objectives, it is concluded that, respondents exceeding forty years are more interested to accumulate wealth for retirement as compared to younger generations. Further, the investors in the age group of 40 years and above are serious about investing to pay the dues of previous loan. Investors comprising of less than 40 years do not prefer to invest to pay their previous dues. Almost all the age groups are said to be willing to invest to create contingency fund for the future.

[C] Retail Investor’s Preferences, Risk Perception and Duration of Investment

Investors invest in financial instruments according to their preferences and their risk perception. Preference and perception of retail investors for an investment product sometimes may be similar or opposite to each other depending on various factors. Two such impending factors are: a) risk taking capability of the investor and b) financial goal for which investment is to be done. Another perspective on investment is the “Duration of investment”. It is imperative to identify the time period investor wants to stay invested on a particular investment option.

Comparison between the Opinion on Preference Level and Duration of the Investment

a) There is no significant difference of opinion between preference for fixed deposits and duration of investment. There is a high degree of positive correlation between preference and duration of investment on fixed deposit. It can be concluded that respondents prefer to keep their money invested in fixed deposits for long duration.

b) The respondents do not prefer insurance schemes as an investment option but are investing for a long-time. It is such because traditional insurance plans in India are of long-term in nature. Investors have to pay the premium for medium to long-term
period. Correlation of the pair preference level as an investment option and duration of investment of insurance schemes shows moderately high degree of negative correlation. It can be opined that though investors are staying invested in insurance schemes for long but do not prefer it much.

c) In case of public provident fund, majority of respondents including retired and non-retired investors strongly prefer this asset for investment. Duration of investment is also moderately high as because once invested in PPF, invested amount is locked in for 15 years. There is no significant difference between preference for PPF and duration of investment among the respondents.

d) Majority of investors are willing to invest in bonds for a period of one to two years. Investors prefer to keep investments in bonds for less time period as bonds can be sold in the stock exchanges. This is because of the fact that interest rates in India are very volatile owing to frequent changes in policy rates by the Reserve Bank of India.

e) The preference level and duration of investment for equity stocks among the respondents has no significant difference. It can be concluded that retail investors do not prefer equities for a long duration.

f) In case of mutual funds, there is no significant difference in opinion in terms of preference for mutual funds and duration of investment. Respondents across the demographic profiles show moderate preference for mutual funds and at the same time do not prefer to stay invested for a long period. It is due to the volatility in equity market that the retail investors start investing in fixed maturity plans (FMP) products. It’s because, though FMP schemes provide less capital appreciation yet assures of a steady dividend without eroding the initial investment.

h) There is a significant difference in the opinion with regard to preference of the real estate and duration of investment in this asset. Low degrees of negative correlation have been found between duration and preference which indicates that investors in case of real estate either doesn’t want to stay invested in real estate for long vis-à-vis with their preference or may not prefer to invest but if investment is already made then prefer to stay for long. Average rating on five point scale shows medium to
high rating by investors across all the demographic profiles for both preference and duration.

i) There is significant difference in the opinion of respondents in terms of preference of the postal investment schemes and duration of investment. Correlation values also project a low degree of negative correlation between preference and duration of investment. It can be concluded that though retail investors prefer the postal saving schemes for investment yet are not willing to remain invested for a long time.

j) The correlation between preference level and duration of investment in derivative instruments such as option and futures is not very positive correlation. Therefore, it can be persuaded that respondents are not interested to invest in derivatives and, at the same time, does not favour to stay invest for long.

**Comparison between Risk Perception and Duration of Investment**

a) Opinion on fixed deposit schemes from banks shows high degree of negative correlation between risk perception of investors on fixed deposit and duration of staying invested in FD. Considering the low rating given by investors on duration conclusion may be drawn that investors do not prefer to invest for long duration.

b) In case of insurance schemes, mean values for duration is high as compared to risk perception. The mean rating provided by investors on risk perception towards insurance is also not high. There is negative correlation because with low risk perception, investors are staying invested for long-term.

c) The mean rating of risk perception of public provident fund (PPF) is very low. The correlation result between the perception and duration indicates a very high degree of negative correlation. It may be concluded that investors are interested to stay invested long-term with PPF as it is perceived to be less risky.

d) Debt instruments such as bonds and debentures, etc., which are issued by non-government organizations, show low degree of negative correlation for duration and risk perception. Investors though feel these as less risky but still do not opt for long-term investment.

f) For mutual funds, the findings are not much different from fixed deposit and insurance schemes. Investors are found to be investing in mutual funds for period ranging from medium to long-term but, at the same time they do not perceive these assets as risk-free. Mean value of risk perception is moderate but still the investors are
willing to stay invested for long-time. It is because the correlation between risk perception and duration is negative.

g) There is low degree of negative correlation between duration and risk perception for bullion. From the mean rating values on duration and risk perception, it may be found that investors are investing in metals and precious stones for long period but are not considering it as fully risk-free.

h) Investors though find it very risky yet, are willing to keep their money invested in real estate for long duration. It is because there is a positive correlation between duration and risk perception.

i) Indian postal saving schemes show moderately negative correlation. Perceptions of the investors for these assets shows lower degree risk and mean values of rating shows that investors are willing to stay invested for long-time.

j) Options and futures trading as an investment option have been found to be very risky investment, as the mean rating is on the higher side. As a result, the investors are willing to stay invested for a very short period. Investors have opined options and futures are very risky.

Comparison between Preference Level and Risk Perception of the Investment Options

Paired sample statistics between preference and risk perception of the investment options shows the difference in the opinion between the risk perception and preference. For fixed deposits, debentures, bonds, postal schemes, bullion, postal schemes and others have similar opinion as the mean difference between preference and risk perception is very less. In case of, insurance schemes and real estate the pair mean values show higher level of difference. It means that respondent's have a varied opinion on riskiness and preference for these assets.

Investment in PPF, equity stocks and mutual funds show moderate difference in the mean values of opinion between perception and preferences. The results of correlation applied between preferences and perception shows low degree of negative correlation for the assets such as PPF, bullion, postal saving schemes and others. In case of fixed deposits, bullion and derivatives, there exists significant difference of opinion across all the retail investors with regard to their preference and perceived.

ANOVA test indicates that there exists significant difference of opinion regarding duration of investment for the fixed deposits, insurance schemes, public
provident fund, equity shares, mutual funds, real estate and others (derivatives). For rest of the investment options viz., for postal schemes, bullion, and debentures, there is no such significant difference in the mean values between the occupational groups (viz., "salaried-working", "self-employed", "retired-working" and "retired not working").

There is significant difference of opinion across the occupational groups on staying invested on the duration of investment for the asset class such as, insurance schemes, PPF, bullion, and real estate. Retail investors have different risk perception on the investment options such as fixed deposits, insurance schemes, public provident fund, postal schemes and others (derivatives). Whereas, rest of the investment options viz., real estate, billion, mutual fund equity and debentures do not have significant difference on risk perception.

[D] Preference of Investment and the Sponsors of Mutual Fund Schemes

Preference of "salaried-working" as well as "self-employed" investors is found to be inclined towards private sponsored mutual fund. Retired investors mostly prefer public sector mutual fund units. It is further observed that the working class investors trust mutual funds that are not state sponsored or sponsored by PSUs.

[E] Modes of Investment in Mutual Fund Schemes

[i] Investment through Agents, Brokers and Advisors: There is a significant difference of opinion among the four selected occupational category of investors on investing in mutual funds through various agents, brokers and advisors. Investors views on their preference has been compiled and found that "self-employed" give more weight age to advisors and broker's view followed by "retired working" and "salaried working" investors. On the contrary, "Retired not working" category has less reliance on investment through agents, brokers and advisor.

[ii] Investment in Lumpsum at the Net Asset Value (NAV): Unlike retired category of investors, self-employed and salaried-working investors prefer investing in lump sum. Retail investors not able to commit a pre-decided equal amount of investible fund every month/quarter/half-yearly or yearly (as done in SIP mode), select this mode of investment. There is significant difference among the retail investors (occupation-wise), on preference of investment in lump sum mode i.e., buying units of mutual funds at the rate prevailing in market.
[iii] Investment through Systematic Investment Plan (SIP): working retail investors such as “Self-employed”, “Salaried-working” and “Retired-but-working” with regular income are interested for SIP mode of investment in mutual fund schemes. On the contrary, “Retired-Not working” group are not willing to invest in SIP mode. Multivariate ANOVA test shows divergent opinion on preference for this mode among all the occupation groups.

(iv) Investment through New Fund Offer: All other occupational category, except “retired not working” investors class, prefer investing at the time of new fund offer (NFO). It shows a general interest and inclination of working class retail investors towards investing on new funds launched in the market. It is also observed that the “retired-not working” investor’s preference is significantly different from the other occupational groups as compared to the non-retired class which is not so divergent.

(v) Investment through Online: All the categories of respondents are less interested in investing through online mode and their opinion is not significantly different across the occupational groups.

[F] Distribution of Return from Investment in Mutual Fund Schemes

(a) Self-employed category favours equity growth option while investing in mutual funds scheme followed by “salaried-working” class. “Retired working” and “retired not working” investors do not prefer to receive the return from mutual fund in the form of capital appreciation. Therefore, it may be said that both “retired working” and “retired not working” category are not eager to bear high amount of risk since growth option comes with risk of losing capital invested. These two classes of investors have the zeal to preserve their initial capital. On the contrary, “self-employed” and “salaried working” group are willing to assume more risk for better return and long-term growth.

(b) Both the retired groups prefer regular dividend from the mutual funds, as, after retirement, regular monthly income is reduced. As compared to retired retail investors, “self-employed” and “salaried working”, do not prefer dividend from mutual fund.
(c) Salaried-working and self-employed investors have highest preference for re-investment option as compared to both the retired groups. It is also observed that there is significant difference of opinion in receiving return from the mutual funds among all the occupational groups.

[G] Preference of Mutual Fund Schemes by Retail Investors

There is a strong association discovered between preference for selected schemes of mutual funds and four categories of occupation. Equity growth fund, balance fund and debt fund are most preferred investment options by the retail investors as compared to tax advantage and index fund.

[H] Influence of Sources of Information on the Investment Decision in Mutual Fund

➢ “Salaried-working”, “self-employed” and “retired-working” class investors are relying more on their awareness or self-knowledge.

➢ “Self-employed” investors rely more on print media as a source of information than other groups. So is the case with “salaried-working” and “retired but working” investors.

➢ No occupational group is found to be relying on the advice from the family, friends or colleagues for taking investment decision.

➢ Advises from professional investment advisors influences “salaried working” and “retired working” investors more than any other groups.

➢ Investment advises available in various websites are more accessed and relied by “salaried working” class followed by the “retired not working” group.

➢ There is significant difference in the opinion among the four occupational groups in case of “advises from the professional advisor” and “information source from the internet”. For the rest of the information source i.e., “self-knowledge”, “print media”, “electronic media” and “advices from family and friends”, there is no such significant difference found among the occupational groups.

[I] Effect of Loss Faced by the Various Occupational Groups

While investing in mutual funds, the investors of different occupational groups have incurred loss in their investments. Even after incurring loss, “salaried-working”
groups have performed well. So, it may be inferred that, they keep themselves updated on these types of investments and stay invested even after incurring loss in mutual funds. Similarly, “retired working” and “retired not working” group incurred less loss as compared to “self-employed” and “salaried-working” groups.

Salaried-working category want to stay invested even after facing loss as opposed to the “retired not working” investors who wanted to park their fund in other investments. It can be concluded that “retired working” and “retired not working” group do not want to run away from the mutual fund investment in future as they are aware of market risk.

Factors Influencing the Exit from the Mutual Fund Schemes

Majority of investment options have varied time period of maturity. Investors liquidate their investments either on the date of maturity or before. Same is the case with mutual funds where investors have option to redeem their open ended mutual fund units anytime after the investment is made or on the maturity date in case of close-ended mutual funds. Most of the retail investors are found to liquidate their investments to meet the family financial goal. Therefore, effort has been made to identify the probable reasons of mutual funds redemption. So, ten reasons influencing the exit from mutual fund investment have been identified. Findings of the study are as follows:

a) All the ten selected factors influencing the exit from mutual fund schemes have been found to be significant among the retired and non-retired investors.
b) Factor analysis, shows that five variables have significant influence on non-retired groups (i.e., “salaried-working” and “self-employed” category). These are: (i) “Consistence under performance of the scheme”, (ii) “To switch to a better performing mutual fund”, (iii) “Consistence under performance of benchmark indices”, (iv) “When there is selling call from the advisor/broker”, and; (v) “When there is selling call from print or electronic media”.
c) Retired group of retail investors are found to be significantly influenced by four variables which make them to exit from the mutual fund schemes. These are: (i) “Consistence under performance of benchmark indices”, (ii) “When there is selling call from print or electronic media”, (iii) “When there is an emergency need in the family”, and; (iv) “Consistence under performance of the scheme”.

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Factors Influencing the Investment Decision on Mutual Fund Schemes

Following factors have been identified as most influencing the investment decisions of both retired and non-retired group of investors.

1. Factor analysis with thirty nine factors, shows twelve factors are significantly influencing the non-retired investors (i.e., “salaried-working” and “self-employed”) for taking an investment decision in mutual funds, which are: Past performance of the fund, Consistency in dividend payment, Tax benefits, Benefits of medical insurance, Fund assure capital protection, Benefits of SIP, Good advertisement policy, Better options available other than mutual funds, Performance of Indian stock markets, Health condition of family members, Increasing / decreasing medical Expenses, Family Obligation.

2. In case of retired group of investors (“retired-working” and “retired not working”) factors which are found to be significantly influencing for taking a decision in investing in mutual funds schemes are: Past performance of the fund, Consistency in dividend payment, Benefits of medical insurance, Benefits of SIP, STP, SWP, Fund assure capital protection, Past experience of the fund manager, Performance of Indian stock markets, Volatility of Interest structures in India, Health condition of family members, Increasing / decreasing medical Expenses, Annuity Payment, Social Events & Festivals and lifestyle Expenses.

Further, some common variables present in both retired and non-retired group of investors are “past performance of the fund”, “consistency in dividend payment”, “fund assured capital protection”, “benefits of systematic investment plan (SIP)”, “performance of Indian stock markets”, “health condition of family members”, and “increasing / decreasing medical expenses”. Some unique factors like, “Tax benefit feature of mutual fund schemes”, “Good advertisement policy”, “Better option available other that mutual fund” and “Family obligation” found to be influencing the non-retired group only.

There are four factors which are uniquely influences the non-retired group only and do not influence the retired retail investors, these are: “Tax benefit feature of mutual fund schemes”, “Good advertisement policy”, “Better option available other
that mutual fund” and “Family obligation” such as marriage of family member’s and close relatives, children education etc.

Similarly, four factors are unique to influence the retired groups only such as: “Past experience of fund manager”, “Volatility of interest structures” since major amount they keep in interest bearing deposits after retirement, “Annuity payment (such as existing unpaid loans)” and “Social events such as festivals and lifestyle expenses”. Moreover, both retired and non-retired investors were found to be very much influenced by the medical expenses incurred or health condition of the family members.

[1] Sources of Post-Retirement Income for Retired Groups

Among the ten sources of income, “Pension from the employer after retirement” found to be the most significant followed by “Interest from bank fixed deposit”, “Return from postal schemes”, “Returns from insurance schemes and “Dividend from mutual fund”. It means both the retired groups are earning more from these sources of income. So far as the remaining sources are concerned, retired investors (both “retired working” and “retired not working”) are not finding the sources of income such as “salary/professional fees/consultancy fees”, “dividends from stocks” and “interest from bonds and debentures” a favorable.

As far as similar preference of income for both the retired groups is concerned, “interest from bank fixed deposit”, “pension from the employer after retirement”, “return from postal schemes” and “returns from insurance schemes” are the preferred sources as compared to other income sources. In case of mutual funds, both the groups have significant difference of reasons behind redemption of mutual fund units. Except mutual fund and insurance schemes, the remaining sources of income have no significant difference among the retired and non-retired occupational groups. Salaried and self-employed investors prefer more to invest for buying properties as compared to retired retail investors.

8.3 SUGGESTIONS

A developed nation always creates scope to harness the savings of the retail investors especially from rural, semi-urban and urban areas into money and capital market through innovative financial instruments. Mutual funds is one such financial
product that certainly can attract these savings through a wide spread and efficient network of operations. During the turbulence of equity and debt market, it has been seen that the retail and institutional investors redeem their investments in panic. Therefore, mutual fund organisations should take steps to build confidence in the existing and prospective investors. They have to prove that it is an ideal investment vehicle for retail investors by way of assuring better returns than the benchmark return vis-a-vis the risk. Asset management companies and sponsors of mutual funds, before launching a scheme, should cater to the need of every demographic stratum of the investors. To make the product more popular and create confidence in the minds of investors, sponsors of mutual funds should innovate and add certain features while designing and floating new mutual fund products, which would help retail investors to achieve their financial goals.

➢ The findings of the study stood testimony to the fact that retired investors working part-time after retirement have less preference for mutual funds than the non-working retired investors. According to the average opinion on duration of investment of mutual funds, retired but not working investors are willing to park their savings for more duration as compared to retired but working. Findings on the risk perception shows that retired but not working investors see less risk on mutual funds as compared to the retired but still working part time. So, it may be suggested that mutual fund companies should focus more on retired not working groups.

➢ Retired not working group has higher level of preference for mutual funds than the overall working class such as “salaried working”, “self-employed” and “retired but working”. Comparing the preference for duration of investment in mutual funds, retired but working group are willing to stay invested for lesser period of time than any other groups. Taking risk perception into account, retired groups (both working and not working) indicate that they perceive more risk than the non-retired group such as “salaried working” and “self-employed” investors. So, mutual fund companies should also come out with innovative schemes for non-retired groups. Efforts should be made to motivate the non-retired investors to stay invested for longer period.
Retired groups \textit{(working as well as not working)} prefer more dividend paying option as compared to non-retired investors. It may be suggested to mutual fund companies that schemes for retired investors should be designed in such a way that regular dividend can be paid to the investors. Simultaneously, to attract the non-retired investors, schemes should invest the corpus in such financial assets which can contribute to more capital appreciation, as growth option and dividend re-investment options are preferred by these groups.

Millions of potential investors are not fully aware of the modes of investment in mutual funds. Most of the investors are not fully aware of their rights and obligations; features of the fund; past performance track record; risk involved in the scheme; about the fund managers; investment objective and portfolio composition of the scheme, etc.

“Retired working” group rely on self-awareness and knowledge for mutual fund investment decision. “Retired not working” investor group trusts financial/investment advisors for taking similar decisions. It shows that “retired working” to a great extent aware about mutual funds along with the “salaried working” and “self-employed” investors group. Hence the Government of India and SEBI should initiate large number of educational programs on investment avenues besides publishing ‘investors guide’ which will enable the retired retail investors especially those who are not willing to take more informed investment decision.

To enhance the scope of awareness program on investment in mutual funds, it would be more enlightening and effective if awareness programs with practical sessions are organised at the college and school level so that students could become aware of investment avenues even before they start earning.

SEBI and Association of Mutual Funds in India (AMFI) should launch a television and radio channel in every Indian language to reach the retail investors from rural, semi-urban and urban areas. This may help increase knowledge of investors hailing from remotely located geographical regions about the financial market and mutual funds.
“Retired working” and “retired not-working” group of investors strongly prefer debt fund or fixed maturity plans. The retired group is more inclined towards regular monthly income and protection of capital. Therefore, the fund managers of debt mutual funds should offer fixed maturity plans to retired groups.

“Salaried employees” and “self-employed” investors find equity balanced and equity growth fund more attractive. These investors should be offered equity schemes without regular income features. So, more such schemes should be launched for non-retired class of investors.

There are various factors triggering the exit from an investment option. It is equally important to explore the reasons for the exit from investment option as compared to reasons which influence to invest. Ten factors found to be causing the exit from mutual fund, such as a) On maturity of the scheme, b) Consistent under performance of the scheme, c) When there is a emergency need in the family, d) To switch to a better performing mutual fund, e) Consistent under performance of benchmark indices, f) When there is selling call from the advisor/broker, g) When there is selling call from print or electronic media, h) To meet financial goals, i) To pay personal income tax liability, j) When there is need to rebalance the portfolio. These factors should be dealt very carefully by all the fund houses before launching the products and devising strategies to expand its market base and retaining the existing customers.

Since the retired groups of investors are more vulnerable their decision to redeem their investment is due to the consistent under-performance of benchmark indices, selling call from print or electronic media, emergency needs in the family and consistent under performance of the scheme.

Retired investors should be offered funds with stable NAV and protection of initial investment. Further, asset management companies should offer retired investors with an additional benefit at the time of emergency needs in the form of withdrawal of certain portion of the accumulated fund and depositing after a specific time, without eroding the initial investment and its benefits.
A suggestion can be made to the mutual funds organization that schemes for retired investors can be launched with a medical rider or features to reimburse the expenditure if some common old age diseases occur. This will motivate the senior citizens, retired group as well as non-retired group of investors.

In case of any financial need arising due to health or medical reasons of mutual fund unit holder(s), certain amount should be given to ‘retired’ investors out of the initial invested amount. To offer this feature, fund management companies can charge an additional amount along with the initial investment amount.

To meet the family obligation such as fund required for marriage and education of the children, retired and non-retired investors, may be allowed to withdraw certain portion of the accumulated fund and deposit the same after a specified time, without affecting the initial investment and its benefits.

In India, festivals have a very special place in everybody’s life irrespective of any religion, cast or community. It is a fact that retail investors spend more during the festival seasons. Moreover, expenditure on social events and festivals affect the retired group of investor’s investment in mutual funds significantly. To encourage investment in mutual funds during the festive seasons among the ‘retired’ investors, fund management companies should pay a certain portion of yearly profit earned as “festival bonus”.

Non-retired investors prefer SIP mode of investing in mutual funds. It is a better way to invest for a long duration and also to get benefit from the rupee-cost averaging, mutual fund companies should offer minor discounts or waive the processing fee to encourage investment.

Mutual funds organisation should link the banking institutions through electronic clearing so that investor’s account can be automatically debited with the investment amount in the annuity mode. This practise not only inculcates a discipline of investment among the retail investors which will not only benefit the investors but also give a strong support to Indian financial market against any volatility in the prices.
Private mutual fund companies should float more innovative schemes for retired salaried investors and change their image as youth centric to attract more retired investors.

8.4 CONCLUSION

Investment is the lifeline of business, nation and also the investors. It is more so for the individuals whose productivity comes down after a particular period and so does the income. Investment not only brings in the amount from the surplus area and channelizes it for the productive usage in the various sectors, but also develops a saving habit amongst the people who otherwise ignore the future in pursuit of meeting the daily problems in hand. There are many investment avenues such as stocks, public and private deposits, postal small savings schemes sponsored by government of India, bank deposits, insurance, mutual funds, properties etc. But each of the investment avenues has its own merits and demerits. These avenues do not really cater to the requirement of the period where the income is more than halved, productivity gone down drastically, physical strength is a challenge, mind has no more zeal and high medical bills have added to the existing bills like house rent and maintenance, utilities such as electricity, water bills, municipality and community charges etc. this is financially the most pathetic and torturous.

8.5 SCOPE FOR FURTHER RESEARCH

The present study is confined to the regulated environment of mutual fund industry and to that of the growth schemes. During the course of study it was observed that technological and environmental changes have many social and political ramifications. Due to outbreak of scams and global financial crisis, Government policies have gone for wide changes in the support of current financial environment.

Income status of the retail investors has significant influence on the size of savings, preference for investment avenues and pattern of holding investments which can be researched in detail. Hence, studies could be carried out to substantiate the existing literature and contribute for the growth of the mutual fund industry. In line with the role of foreign institutional investors in the stock market, the role of mutual funds can also be studied in terms of its influence on stock market sentiments, purchase and sale of securities.
As very few studies are available on money market mutual funds, studies could be carried out to identify the role of money market mutual funds as a short-term financial instrument and how far they are able to meet the demand and supply of short-term funds in the Indian financial system.

To pick up the pace of economic growth, inflow of foreign currency is a indispensable. Hence, the studies could be made to know the competency and consistent flow of offshore funds and to identify ways and means of improving offshore mutual fund operations.

Distribution as an integral part of mutual funds should be strengthened through advisory role and proper understanding of clients risk profile to avoid miss-selling and loss of confidence at the industry level. Hence, survey could be carried out to identify better distribution strategies to attract the investing clientele. These are the possible areas of research work which can richly contribute towards the existing literature on mutual funds.

Finally further research can be carried out for the retired investors group and reason could be explored in different demographic areas among the different demographic groups to make mutual funds more popular as an investment option. Research can be done to reduce the gap between the perceptual difference and difference in preference level between the retired and non-retired groups for mutual funds as a financial product.