ABSTRACT

Investment culture among the people of a country is an essential prerequisite for capital formation and the faster growth of an economy. Investment philosophy refers to the attitudes, insights, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as financial securities. A study of the investors’ perceptions and likings, thus, assumes a larger implication in the formulation of policies for the development and regulation of security markets in general, and the protection and promotion of small and household investors, in particular.

In India, there have been many financial intermediaries who have helped in the development and growth of financial markets. One of them that has gained importance in recent times is the Indian Mutual Fund market. Here a large number of investors pool the funds, saved by them regularly from their recurring incomes, with a pre-planned investment objective and are managed by a specialized Professional Fund Manager. The Fund Manager is entrusted with the task of investing the funds collected into money-making opportunities, securities, etc., so that the managed fund is able to meet the expectations as promised to the investors. The Fund Manager uses his technical and managerial expertise, past experiences, expert judgmental techniques, etc. to devise a best managed portfolio. Among all investment substitutes available, mutual funds are considered to be the best as they are less costly and are also easy to be obtained in smaller lots.
Now a days mutual funds in India are treated both as a service and as a, product and the schemes are tailored to cater to the investor’s needs, expectations, financial positions, risk tolerance limits, etc.

Mutual funds have brought the investments opportunities right to the, investor door-steps. A common individual investor has limited resources and limited access to market price sensitive data. The Investor is also not a technical analysis professional. Mutual Funds Managers design portfolio management policies and schemes based on information obtained and opportunities available in markets. The success of a Mutual Fund comes from the expertise of the Fund Manager and the patience of the investors. A good Mutual Fund Manager understands and analyses the investor needs and behavior trends in order to meet their expectations.

The current state of knowledge about the investors, perception is found not to be quite satisfactory. In fact, it is inadequate when applied to understand the investment behaviour of Mutual Fund investors. The present study fills the above mentioned research gap by

(a) examining the impact of investors perceived purchase risk, investor’s knowledge and investor’s purchase decision participation on their investment behaviour specifically, information search and information administering behaviour;

(b) examine the aspects related to investor awareness level of individual Indian investors especially in Chennai;
(c) to determine role played by returns in influencing the lenders investment decision making;

(d) to design a fund planner tool which helps the investor to choose optimal mutual funds across Asset Management Companies;

(e) to explore factors that influence to restrict mutual funds business models to provide increased efficiency and investor satisfaction.

The research focuses on the proposed new factors like Mutual Fund Product Awareness, Awareness of Asset Management Company Reputation, Understanding of Mutual Fund Risks, Quality of Investment Advisors and Understanding Asset Management Company Services that impacts the investors awareness level on mutual funds. Correlation analysis is used between the above factors five aspects highest correlation of 0.95 exists between the factors Understanding of Mutual Fund Risks and Quality of Investment Advisors. Second highest correlation coefficient is found between Mutual Fund Product Awareness and Understanding Asset Management Company Services. Discriminant analysis has been used for creating mathematical models that would segregate the three groups formed through cluster analysis. Efficiency of the discriminant functions for correct classification is found to be nearly 97 per cent. In other words, if these models were used to find out whether the levels of knowledge in the five dimensions are similar to Cluster 1, 2 or 3, named as Savvy Investor, Techie Investor and Normal Investor, the accuracy of the correct classification will be nearly 97 per cent. To sum up, there are three different types of people having similar opinions or levels of knowledge on Mutual Funds. The first group of people have the highest levels of
knowledge, the second group has a low levels of knowledge, and the third group has an average levels of knowledge on Mutual Funds. It is also possible to assess the level of knowledge possessed by a new investor using discriminant functions evolved and the correctness of this assessment would be more than 95 percent.

Investors now have a wide range of products to choose from, which makes their investment decision more complicated than before. Although there are many factors influencing their decisions, performance still seems to be a determining factor. Currently the investors depend upon advisors for their financial planning and no customized tools are available for investment decision. In this work, a fund planner tool called Techno-Portfolio Advisor is designed which helps the investors to understand the critical relations and support mutual funds selection across the Asset Management Companies (AMCs) in India. The Techno-Portfolio Advisor is designed based on the fuzzy inference rules by considering the investor preferences like investment amount, age, future goal and return rate. Further, the optimal funds for achieving the investor goal are evaluated based on the quantitative data available from the historical NAV from SEBI/AMFI/AMCs.

The study also focuses on developing a business model for next generation mutual funds. The existing mutual fund business models counter a number of issues characterized by lack of investor awareness, high dependence on corporate sector, low penetration levels and spiralling cost of operations. The study explores the critical factors that are essential to restructure the business models for Mutual Funds for increased efficiencies and investor satisfaction. A new business model called INSIGHT was developed for Indian mutual fund industry by
considering aspects such as entry load, regulation of distributors, management fees paid to asset management companies and taxation of mutual funds from the investor’s point of view. Exploratory Factor Analysis, Confirmatory Factor Analysis and Structural Equation Modelling were used to analyse the data. The results suggest that the model is central to meeting customer needs while streamlining the business processes. The findings of the study will help the mutual fund industry as well as government agencies charged with regulating the market place in making their marketing and public policy decisions, respectively. The model fits for both development and sustainability of Indian mutual fund industry in coming years.

The objective of this study is to develop an understanding of willingness and intention to invest in mutual funds and thereby identify key factors that determine the next generation mutual funds schemes.