Chapter 5

CONCLUSION

The mutual fund industry has emerged as an important financial intermediary in channelising the savings of individuals into investments in capital market. The present dynamic financial environment has led to a paradigm shift in investment avenues of retail investors. The success of an investment activity largely depends on the knowledge and ability of investors to invest in the right amount, in the right type of investment, at the right time. Though, Indian mutual fund industry has been growing exceptionally well on the back of country’s booming economy, mutual funds need to create more lucrative solutions to suit investor’s expectations. Investors need to identify those attributes or characteristics of mutual funds that are important while making investment decisions.

Mutual Funds are looked upon by individual investors as a financial intermediary who process information, identify investment opportunities, formulate investment strategies, invest funds and monitor progress at low cost. Individual investors are generally constrained by inadequate knowledge, non-availability of information, lack of investment skill, etc that affect the investment activities. The expectations of investors play a vital role in investments and are influenced by the behavioural factors. The factors that influence the investment process were studied to offer some extremely valuable suggestions to the stake holder, inorder to support financial decision making of mutual funds.

5.1 Summary of Chapters

Chapter 1: Introduction enumerates the basic mechanics of research. It describes the background of the research, significance of the study and statement of the problem. The chapter also enumerates the objectives of the study, hypotheses, methodology applied for the study, reference period of the study and the limitations.

Chapter 2: Literature Review gives a brief description of previous studies related to the study. The review of literature was detailed under seven heads based on the variables of the study.

Chapter 3: Conceptual framework provides the theoretical background of the study. The first part discuss about the growth, performance and prospects of mutual fund
industry in India since its inception and the second part deals with the savings and investment trends in India since 2000 to 2013.

Chapter 4: Mutual Fund as an Investment Option deals with the detailed analysis of the data collected from the retail investors. This chapter includes the the demographic profile of sample respondents. The behavioural factors viz; preference of mutual fund investors, source of information and communication mode, issues related to mutual fund investment, factors that influence the investment in mutual fund, investors perception towards mutual fund, risk tolerance and satisfaction level of the mutual fund investors and mediation analysis were done based on the objectives of the study.

Chapter 5: Conclusion chapter includes findings of the study, suggestions and scope for future studies.

5.2 Findings of the Study

The findings of the study was classified under two heads (i) based on the secondary data (ii) based on the analysis of data collected from the mutual fund retail investors ie; on primary data.

Based on the Secondary Data:

Penetration and Mobilisation of Mutual Funds

- The Indian mutual fund industry has evolved into a high growth and competitive market on account of favourable economic and demographic factors. Since the inception of mutual funds in 1964 there were only INR 25 crore AUM but it has grown to INR 7,01,443 crore at the end of the fiscal year March 2013 with 1294 mutual fund schemes and 44 fund houses.

- In relation to the GDP of India, the total AUM has fallen from 11.7 percentage during the financial year end 2008 to 6.6 percent during the year 2012.

- The mutual fund industry has registered a CAGR of 18% from 2009-2013, but a large population of the country is still unbanked with a very low level of financial inclusion.

- The business of Indian mutual funds industry is largely confined within the Tier 1 cities; however, the industry is focussed on developing the penetration ratio and increasing its presence in other cities. Currently, the top five cities of India
contribute to 74% of the entire pie, with the remaining 26% distributed among other cities.

- The assets under management of mutual funds increased by 47.13 per cent to Rs.6,13,979 crore at the end of March 2010. From Rs.4,17,300 crore over the previous year, the AUM further decreased by 0.8 percent to Rs.5,87,216 crore at the end of March 2012 from Rs.5,92,250 crore at the end of March 2011. The AUM increased by 19.5 percent to Rs. 7,01,443 crore at the end of March 2013 from Rs. 5,87,217 crore a year ago.

- There were 1,294 mutual fund schemes of which, 857 were income/debt oriented schemes, 347 were growth/equity oriented schemes and 32 were balanced schemes. In addition, there were 37 Exchange Traded Funds, of which 14 were Gold ETFs and 23 other ETFs. Also, there were 21 schemes operating as Fund of Funds which invested in overseas securities as on March, 2013.

- A sectoral breakup of the private sector and public sector mutual funds indicates the domination of private sector mutual funds in terms of share in total folios and total net assets. While the private sector mutual funds had 65.2 percent share in total folios, the corresponding share of public sector mutual funds was 34.8 percent as at the end of March 2013. The share of private sector mutual funds in total net assets was 82.6 percent for the private sector mutual funds compared to 17.4 percent for public sector mutual funds.

- As on March 31, 2013, while individuals subscribed 96.9 percent of the total folios, their share in the total net assets was 45.7 percent. On the other hand, corporate/institutions had a miniscule share of 1.22 percent in the total number of folios, their share in the total net assets was a sizeable 48.61 percent. NRIs/OCBs with 1.84 percent share in folios had 4.7 percent share in total net assets and FIIs percentage to total asset was 0.9.

Investment and Savings

- The volume and composition of domestic savings in India have undergone significant changes over the years and the magnitude of increase in domestic savings rate during the period 2000-2007 was among the highest.

- The gross domestic savings rate have increased continuously from an average of around 10.0 per cent of GDP during the 1950s, 18.6 per cent in the 1980s and 23
The savings rate exceeded 30 per cent for the first time in 2004-05 and has remained above that level ever since. It peaked in 2007-08 at 36.8 per cent and reached an eight-year low in 2011-12 to 30.8 per cent and went up to 31.7 percent during 2012-13. During the eleventh plan period (2007-2011) the gross domestic saving rate was the highest with 33.7 percentages.

- During 2000-2013 the average GDS was 30.71 percent and household financial savings on an average was 10.92 per cent and average physical savings was 11.99 per cent of GDS during the period. The household sectors preference for savings in form of physical assets weigh a little more than savings in financial assets during this period.

- The composition of GDS shows the continued predominance of household sector savings (at around 70 per cent), notwithstanding a reduction in its share from the peak attained in 2001-02 (over 94 per cent). On average, households accounted for nearly three-fourths of gross domestic savings during the period 1980-81 to 2011-12. In the period from 2000 to 2010 it averaged 71.48 per cent of total savings. The household saving composition on total GDS during 2012-13 is 72.69 percentages.

- During 2000s much of the financial savings of the household sector are in the form of bank deposits (around 51.67 per cent), life insurance funds (18.55 per cent) and pension and provident funds (13.43 per cent). There has been a decline in the proportion of pension and provident funds, particularly since the late 1990s. This trend continued till 2007-08.

- There has been some upward movement in the share of pension and provident funds during 2008-09 and 2009-10, partly due to the increase in disposable income of government servants who are significant contributors to these funds.

- Shares and debentures accounted for 6.24 per cent of total financial savings in the 1990s and their share decreased to 4.46 per cent in the 2000s. Though India has a high household saving ratio, the mutual funds have not been able to make a profound impact in channelizing these savings from the households to the securities market.
Based on the Primary Data:

Mutual Fund as an Investment Option

Demographic Profile

- Out of the 472 respondents, 73.5% of the respondents were male and 26.5% were female. The largest share of the male respondents (44.7%) and female respondents (43.2%) was from the age group of 31-45 years. The predominant age group of the respondents (44.3%) was 31-45 years followed by 31.1% in the age group up to 30 years.

- Based on the occupation, 46.6% of the respondents were salaried class and 53.4% of the respondents were non-salaried class (business and professional). A predominant literacy group (40.5%) of the respondents was distributed in post graduation qualification. Of the post graduation, 42.3% and 51.3% are from salaried and non-salaried class and a good majority of the remaining respondents (37.7%) were distributed in the degree qualifications and 17.8% professional degree and 4% up to plus two respectively.

- Of the total respondents 56.4% were from the central zone, 24.8% from southern zone and 18.9% from northern zone. Out of the total 472 respondents, 173 respondents (36.7%) were from panchayath and 34.1% from municipality and the rest 29.2% were from corporation.

- The income distribution of mutual fund investors reveals that 43.6% were in the income group of Rs. 200001 to 5 lakh followed by 28.0% in the income range of Rs.500001 to 10 lakh. 18.9% and 9.5% of the respondents were in the income range up to Rs.2 lakh and above 10 lakh respectively. Of the mutual fund respondents, 36.2% have an annual savings of Rs. 50001 to 100000 followed by 27.50% with a saving of less than Rs. 50, 000. 16.7% and 12.9% of the respondents were having savings of Rs.100001 to 2 lakh and above 3 lakh respectively. 6.6% of the respondents have an annual savings of Rs. 200001 to 3 lakh.
Investment Planning

- Out of the total 472 respondents, highest of 35 percent of respondent invest into mutual fund for a period 2-5 years followed by an investment tenure up to 2 years with 33.5 percent and 21.8 percent for a period of 5-10 years.

- Of the various investment channels, banking channel is the most prominent with 37.3 percent followed by broking firms/DPs by 25.8 percent and agents and brokers with 19.9 percent.

- Among the total respondents, 53.8 percent took their investment decision with the help of an expert, 32.8 percent take their own decision and rest 13.4 percent entirely depends on expert opinion.

- The preference of mutual fund schemes based on operational classification, 69.7 percent opted for open ended and 21.6 percent for close ended and the rest 8.7 percent for interval schemes and on the portfolio classifications, equity was highly preferred by 46.4 percent followed by balanced fund by 26.5 percent and debt fund by 19.9 percent.

- The most preferred type of fund is sector funds (26.27%) followed by monthly income plans (21.82%) income fund (12.29%) and ELSS by 10.81 percent.

- The preferred investment option among the retail investors is SIP with 58.90 percent followed by lump sum investment of 27.12 percent and NFO 12.71 percent. Among the return options 72.88 percent prefer growth option and the rest 27.12 percent prefer dividend option.

- Majority respondents, 49.57 percent feel that investment in mutual fund involves average risk, 30.3 percent feel that the risk is high and 20.2 feel that there is low risk in mutual fund investment.

- Regarding the criterion for selling the mutual funds, the highest majority of 41.5 percent of mutual fund retail investors opined that they decide to sell the mutual funds when the investment objective is achieved and 25.6 percent told that they would sell when the market moves bullish or bearish.

- With the under-performing funds, 32.41 percent told that, they will stop investing in that fund and redeem their investment in search of a better mutual fund. 28.6 percent opined that they will buy better performing funds, but will not sell the current holdings anticipating that fund will catch up with the market and 21.4
percent registered that they will switch over with other schemes within the same AMC.

- Of the total 472 respondents who had invested in mutual funds, 357 respondents (75.6%) would like to continue mutual fund investment and only the remaining 115 (24.4%) do have a plan to opt out. Of the 115 respondents who have a plan to exit, 46.09 percent exits because they feel that, mutual fund investment is risky and 35.65 percent exit due to low return given by mutual funds.

**Preference of mutual fund investors**

- The mean percentage score of the preference towards mutual fund is 68% which indicate that there is a good level of preference towards MF among the investors

- The preference of mutual fund investors significantly differs with the demographic factors viz: age, zone, occupation and annual savings.

- The mean value is highest for the age group above 60 years followed by 31-45 years which means that mutual fund as an investment avenue is highly preferred by these age groups.

- Among the occupation, the mean value is highest among the salaried class which state that, mutual fund is mostly preferred by the salaried class.

- Investors residing in municipal area and central zone highly prefer mutual fund as an investment option.

- The mean score of mutual fund is highest for those investors having higher annual savings, which states that as savings increases preference to mutual fund investment also, increases.

- With gender, bank deposits turns to be the highest ranked option for both male and female with mean score of 5.24, followed by mutual funds by male and gold and silver by females. Mutual fund turns to be the fourth preferred investment option for females.

- Based on occupation, bank deposits are the most preferred option, followed by gold and silver by non salaried investors and mutual funds by the salaried class. For non salaried investors, mutual fund turns to be the third preferred investment option.
• Irrespective of the area of residence, bank deposits turn to be the most preferred investment option. The second preferred investment option for panchayath is provident fund, municipality is gold and silver and corporation is real estates. Mutual fund turns to be the fourth, third and fifth preferred option for panchayath, municipality and corporation respectively.

• Bank deposits is still the most preferred option with the highest mean score of 5.37 followed by gold and silver with mean score of 4.87 and mutual fund turns to be the third preferred investment option with 4.78 mean score among the retail investor.

• The mean score of capital appreciation emerges as the main objective of investment with the highest mean score of 5.03 followed by contingencies for specific purpose a mean score 4.72. Supplementing the current income and tax saving shelter came in the third and fourth position with 4.23 and 3.96 respectively. Income after retirement and other options were the last two investment objectives.

• The Post hoc result shows that, the preference of respondents in the age group 30-45 significantly differ with the age group of 45-60. The investor’s preference towards mutual fund in the central zone significantly differs with the investors in the north zone. In the case of annual savings, the respondents with annual savings less than Rs. 50000 and 50001-100000 significantly differ with the respondents with annual saving Rs. 200001-300000.

**Source of information and communication mode**

• Of the various sources of information for mutual fund investment, 50.2 percent of investors prefer advice and recommendation followed by 36.2 percent as data and information and only 13.6 percent relay on advertisement.

• There is association between the demographic variables namely age, and annual income to source of information. Investors belonging to different age and income groups prefer different sources of information.

• The most preferred communication mode among the investors is summary information with 34.75 percent followed by graphical format with 26.70 percent.
• There is association between the demographic variables namely gender and zone to communication modes i.e; only age and zone has significant influence in communication mode.

Issues related to mutual fund investment

• The factors identified for issues related to mutual fund investment are complexity, non-performance and management issues.

• Among the various issues faced by mutual fund investors, complexity is the most affected issue with regression weight 0.873 followed by management issues and non performance with regression weight 0.763 and 0.616 respectively.

• One unit decrease in complexity results in decrease of the problems of mutual fund investment by 0.873 units provided the other two variables remains constant. The $R^2$ value indicates that this change occurs in 76% cases.

• There is significant difference among, age, zone, occupation and annual saving for core issues (Complexity, Non performance and Management Issues) in mutual fund investments.

• Among the gender the mean value for male is highest for all the issues in mutual fund investment.

• Among the core issues in mutual fund investment, the total mean score of complexity is the highest for age, area of residence, zone and annual savings.

• Respondents in the age group 46-60, residing in south zone and annual savings above Rs.3 lakh has maximum average score with regard to issues in mutual fund investment.

• The non salaried class of investors is having highest mean score which state that issues regarding mutual fund is mostly faced by non salaried class.

• The Post Hoc analysis reveals that with respect to core issues in mutual fund investments, the p value shows significance in the case of respondents in the age group 31- 45 and to 46-60 in complexity and non performance. The core issue - non performance has also significant difference to respondents in the age group up to 30 and 46-60.

• While comparing between respondents of different zone with respect to core issues in mutual fund investments, the p value shows significant difference in the case of
respondents of south to central zone, in the case of non performance and management issues. The p value also shows significant difference in the case of respondents having annual savings Rs.100001-2 lakh, in the case of management issues.

**Issues in mutual fund investment and source of information**

- Major issues faced by the investors like complexity, non-performance and management issues differ significantly on the basis of source of information.
- The Post Hoc comparison between responses of investors on sources of information with respect to core issues in mutual fund investments, the p value shows significant difference in the case of respondents of advertisement to advice & recommendation in the case of non performance.

**Factors that influence the investment in mutual fund**

- The influencing factors related to mutual fund investment are Fund related, Investor related and AMC/ Sponsor related factors.
- Fund related factor is the most important factor in mutual fund selection with regression weight 0.93 followed by AMC – Sponsor and Investor related factors with regression weight 0.80 and 0.72 respectively.
- It is concluded that one unit increase in fund related factors results in increase in MF investments by 0.93 units provided the other two variables remains constant. The $R^2$ value indicates that this change occurs in 86% cases.
- There is significant difference among, age, area and zone for factors influencing (Fund related, Investor related and AMC/ Sponsor related factors) mutual fund investments.
- Among the factors influencing purchase of mutual funds, the mean is highest for fund related factors for both the genders stating that fund related factor is the most influencing factor among the investors.
- The mean value is highest for investors above 60 years followed by 46 to 60 years substantiating that as age increases fund knowledge also increases
- With respect to factors influencing the purchase of mutual fund the mean score is the highest for the central zone.
• Among the factors influencing the purchase of mutual fund, the respondents having annual income above Rs.3 lakh is having the highest mean stating that higher income investors are largely influenced by the factors influencing the purchase of mutual funds.

• The Post Hoc analysis reveals that in the case of AMC-Sponsor related, the respondents in the age group 31-45 significantly differ with the respondents in the age group 46-60.

• In the case of investor related factors, the respondents residing in the panchayath significantly differ with the respondents residing in the corporation area and in the case of fund related factors respondents of central zone significantly differs with northern zone and with respect to investor related factors the respondents in the south zone and central significantly differ with the respondents in the north zone.

**Investors’ perception towards mutual fund investment**

• The perceptual factors identified were classified under four heads as Knowledge & Awareness, Regulation & Transparency, Convenience & Flexibility and Return & Affordability

• With respect to perception of investors towards mutual fund investment, convenience and flexibility is the most important factor that investor perceive with regression weight 0.809 followed by regulation and transparency, knowledge and awareness and return and affordability with regression weights 0.592, 0.547 and 0.111 respectively.

• Of the four perceptual factors, convenience and flexibility results in the increase of mutual fund investments by 0.81 units provided the other three variables remains constant. i.e. One unit increase in convenience and flexibility results in increase of mutual fund investments by 0.81 units provided the other three variables remains constant. The $R^2$ value indicates that this change occurs in 65% cases.

• There is significant difference among age and annual saving with respect to perceptual factors (Knowledge & Awareness, Regulation & Transparency, Convenience & Flexibility and Return & Affordability) towards mutual fund investment.
• Among the gender, with regard to the perceptual factor – knowledge and awareness is high among the males followed by convenience and flexibility.

• With regard to age, the overall mean is highest for knowledge and awareness followed by convenience and flexibility. Higher the age higher is the perception regarding mutual fund investors.

• Among the perceptual factors of mutual fund investors with respect to zone, the mean score of perceptual factors is highest for south zone except return & affordability

• Among occupation, the mean value of perceptual factors is highest for non salaried class of investors. The variation is also least for non salaried class except for the perceptual factor return & affordability.

• The mean value for the perceptual factors is highest for investors having higher savings.

• The PostHoc analysis reveals that in the case of knowledge and awareness, the respondents in the age group up to 30 years significantly differ with the respondents in the age group 31-45.

• In the case of perceptual factor- knowledge and awareness, the respondents in the saving group of less than Rs. 50000 significantly differ above Rs. 3 lakhs and in the case of regulation & transparency, the respondents in the saving group of less than Rs. 50000 significantly differ with the respondents in the saving group of Rs. 50,001 - 1, 00,000.

Risk tolerance and Satisfaction level of the mutual fund retail investors

• Of the total respondents 21.19 % of mutual fund investors have high risk tolerance and 44.07% had moderate risk tolerance.

• There is association between the demographic variables age and risk tolerance level.

• Of the total respondents, 82% were moderately satisfied with mutual fund as an investment source.

• There is association between age and zone with regard to the satisfaction of mutual fund investors.
• The most important satisfying factor that an investor look forward is marketability (.733) followed by return (.702) and liquidity (.671). It is worth mentioning that, safety and reliability were the least ranked factors.

• The mean value is the highest for the moderate risk tolerance category which means that, their level of satisfaction is higher when compared to other categories.

• There is significant difference among risk tolerance level of mutual fund investors and their satisfaction level and the respondents in the high risk category significantly differ from the respondents of moderate risk category.

• The Post Hoc analysis reveals the significance of means difference between risk tolerances with respect to satisfaction level of investors. The result shows that in the case of satisfaction level, the respondents in the high risk category significantly differ from the respondents of moderate risk category.

**Mediation analysis**

• Issues related to mutual fund investment, increases the relationship between Perception and Satisfaction. Issues positively mediate the relationship between Perception and Satisfaction which was further confirmed by the Sobel test was found to be significant (t = - 4.331 p = <0.001). Sobel test verified that the mediator ie; issues related to mutual fund investment carries the influence of the independent variable (Perception) to the dependant variable (Satisfaction).

• Factors influencing the purchase of mutual fund increase the relationship between Perception and Satisfaction and it positively mediates the relationship between Perception and Satisfaction. The Sobel test was not found to be significant (t= - 0.910 p=0.363) .So it is concluded that the mediation effect observed is only a sample character or in other word, factors influencing the purchase of mutual fund does not mediate the relationship between Perception and Satisfaction.
5.3 Suggestions

In the light of the findings of the study, observations made during the period of survey and discussions with the AMCs, distributors and investors the following suggestions were put forward to support financial decision making on mutual funds for the regulators, AMCs and retail investors inorder to retain the existing investors and to attract new investors to participate in the capital market through mutual fund investments.

The research finding clearly suggests the following:

To the Regulators

- National awareness campaigns for mutual funds and financial literacy should continue to remain a focus area for investors and distributors. Investors should be encouraged to invest for a larger tenure, make them aware of the sectors in which they are investing and should be educated on the performance and risk of their investments.
- As more of young, salaried class investors with high income are opting mutual fund as an investment avenue, tax benefits can be offered to push more investments into mutual funds.
- Efforts are required to channelise savings from physical to financial savings which will expand financial intermediation and provide more funds for investment.
- The role of tax can be enhanced to be a growth enabler on various fronts such as management of offshore funds from India, tax breaks on pension products etc.
- Equity culture should be improved among the retail investors and mutual fund investment is one best option for developing a large retail investor base in the capital market.
- The fund houses should be allowed to sell pension products will act as a huge catalyst for growth of the industry and this move will energise AMCs, distributors and investors alike, while contributing to the deepening of capital markets in India.
- With multiple positive regulatory changes taking place in the Indian market, overseas players are likely to gauge the opportunity of increasing penetration. There is huge opportunity in the category of infrastructure debt funds, given the heavy
investments in infrastructure planned for India. The fund houses should be permitted in launching new funds in this area.

- The smaller fund houses should be allowed to consolidate as they face operational issues like upgrading technology into their processes, increase competition and cost burden, sustainability and profitability, high distribution and operational costs, lack of funds etc.
- The step taken by SEBI for 'product labelling' with colour coding, considering the level of risk associated and AMFI best practice for standardisation of product labelling for its uniform application across the mutual fund industry should be implemented fussily.
- To introduce investor awareness campaign in regional languages both in print and electronic media.
- The investors must be channelised into the markets via mutual funds rather than directly investing into equities themselves through Rajiv Gandhi Equity Savings Scheme and the first time investors should be incentivised.
- Mutual Funds should disclose the AUM and break up of AUM on monthly basis in order to enhance transparency and increase the quality of the disclosures for the investors.
- SEBI should mandate a standardized summary disclosure for investors to improve comprehension, facilitate fund differentiation, and increase awareness of key information like factors related to risk, return and expenses.
- Considering the higher costs of acquisition of a retail investor, SEBI could consider evaluating differential expenses being charged to retail and institutional investors.
- SEBI should take ample steps to increase the pool of available talent in the industry. The frequent movement of fund managers and key people should be curtailed as it de-stabilise the teams and operational environment.
- The industry through AMFI should tie up with universities and colleges to offer programmes dedicated to the financial services industry in general and the mutual fund industry in particular, which would cover various critical aspects of the financial services industry ranging from fund management, market analysis, treasury operations etc.
There is a great need to increase penetration of mutual funds in Tier II and Tier III cities. Rural participation in mutual funds continues to be poor due to lack of investor awareness, inefficiencies in fund transfer mechanisms, presence of safer substitutes and cost of establishing presence in smaller areas. They need adequate support in terms of banking infrastructure, distribution services and technological solutions to ensure a sustainable cost-benefit model of growth.

To the Asset Management Companies

- The mutual fund industry needs to explore an alternative mode of distribution, for expansion and growth. AMCs need to look at the possibility of investing in an active sales force. The full potential of on line channel of distribution need to be exploited.
- Training and educating the distributors are integral to increasing penetration of mutual fund products. The new cadre of distributors such as postal agents, retired hands etc will likely gather in inflows from smaller towns and cities and direct more towards mutual fund investments.
- Mutual Funds/ AMCs need to develop a system for active support to banks to distribute mutual fund products through them.
- Measures need to be taken to improve the existing infrastructure and to bring in more efficiency while increasing the scale of operations with the back-up of a good technology mix to capture down underpenetrated markets.
- AMCs should endeavour to design suitable schemes to meet the multiple needs of adequate returns, safety and liquidity in a reasonable proportion as these features have been rated high by individual investors.
- By proper segmentation and by targeting the right product to the right customer, mutual fund companies can hope to win the confidence of their customers and 'own' them for a lifetime.
- Servicing the customers and guiding them to achieve their financial goals over a period of time will lead the industry towards sustainability and asset retention.
- Fund managers need to enhance the growth of their systematic investment plan as these plans are highly preferred by the retail investors and have the capacity to deal with volatility over a long-time horizon and generate steady returns.
To attract retail investors, a stable long-term performance by funds is highly desirable. AMCs with a good track record over a period of time will be successful in drawing more funds from investors.

A rational look at schemes of an AMC by their management teams is needed to better understand the mix, the cost and the benefits to the investors as well as to the AMCs.

As SIPs is the most preferred route of investment, the reach and re-positioning of SIPs is the most important factor to be focused.

The issues viz; overlap among products, lack of clear-cut differentiators between product classes, product positioning, inconsistent performance and communications by the industry have not seen the desired result to push the mutual fund as a preferred investment option among the retail investors.

Mutual funds need to be positioned appropriately as a long term product in the investor’s mind. Distributors hence need to be incentivised adequately in order to sell the product correctly to investors.

AMCs should diversify their distribution base, especially those that involve a low distribution cost. Alternate technology-based channels including the internet and mobile banking could be explored with the aim of reaching to a larger customer base at lower costs.

The mobile phones and secure payment gateways should be used to directly reach investors by providing an online investment facility for reasons other than merely communicating the daily NAV.

The industry has to work together for communications-related expenses. Initiatives such as consolidated statement of holding across schemes, consolidated Know Your Customer (KYC) process will help to reduce the cost.

Mutual fund companies should segment and target their customers and position their various products based on the investors need. Products such as growth, income and balanced schemes should be targeted to respective group of investors based on their risk tolerance level.

The mutual fund product designers have to craft strategies to introduce innovative products to improve the scope of the mutual funds market. Schemes with assured and steady returns should be marketed among the retired people.
To the Investors

- As lack of knowledge and thorough analysis of investor leads to inappropriate responses in terms of investment, investor’s education programme should be made compulsory before investing.

- The wrong perception of investors viz; long-term refers to a period of two to three years, returns are not linked to market performance and other risk factors has to be clearly educated before selling the mutual funds to the investors.

- As systematic investment plans (SIPs) are emerging rapidly as an investment alternative method of regular savings for investors having long term commitments, more number of investors should be attracted to this mode of investment.

- Better communication of scheme returns on a relative basis to investors is required.

- Charges and loads play vital role in the mutual fund selection. Therefore, the mutual fund companies should regulate the charges to be paid by the investors as mutual fund products are at a disadvantage, compared with some other financial products investments.

The fact remains that in our country mutual funds are sold rather than bought and this trend has been observed uniformly across all classes of investors and for all kinds of products. To attract retail investors, a stable long-term performance by funds is most desirable. Asset management companies with a good track record over a period of time will be successful in drawing more funds from investors. Mutual funds need to be positioned appropriately as a long term product in the investor’s mind. Distributors hence need to be incentivised adequately in order to sell the product correctly to investor’s.
5.4 Conclusion

The research was undertaken with the primary objective to know about the behavioural aspects of retail investors towards mutual fund as an investment option. The researcher examined the preference of mutual fund investors, the issues related to mutual fund investment, the factors influencing the purchase of mutual fund, the perceptual factors and the satisfaction and risk tolerance level of investors. The study reveals that the preference of retail investors towards mutual fund as an investment option is good. As far as the demographic variables are considered age, zone, occupation, and annual savings have been found influencing the preference of investor’s towards mutual fund significantly. Investors prefer advice and recommendation as the most important source of information and the most preferred communication mode is the summary information. Among the various issues related to mutual fund, complexity is the most affected issue related to mutual fund investment. It positively mediates between the perception of the investors and the satisfaction level of the retail investor. Fund related factor is the most persuading factor in mutual fund investment and convenience and flexibility is the most imperative factor that investor perceives. Investors with moderate risk tolerance level prefer to invest in mutual funds and return, marketability and liquidity are the most satisfying factors investor looks into.

The mutual fund industry is evolving continuously through effectively managing investments and designing long term strategy for targeting and retaining customers. It has to develop products to fulfil customer’s needs and help them to understand how its products cater to their needs. The long term strategy will need to supplement with innovative strategies in distribution, product innovation and creating customer awareness. The mutual fund industry manifests huge opportunity for growth and further penetration with technological support. The key lies in strengthening distribution networks and enhancing levels of investor education to increase presence in rural areas.

The outlook of the mutual fund industry is governed to a great extent by the economic situation in the country, which is predicted to stir volatility and adversely impact perceptions, resulting in depressed equity inflows into the market. Efforts should be made jointly by regulatory bodies, AMCs and distributors to instil confidence
in the minds of the investor and to encourage them to invest in mutual funds, even in times of uncertainty.

5.5 Scope for Future Studies

- The performance of growth schemes of mutual fund industry, which is a near substitute for direct investment in shares.
- Role played by sources of information in mutual fund selection and purchase.
- Fund manager’s ability in selecting the funds in the present scenario of innumerable mutual fund schemes.
- Fund manager-investor conflict in mutual fund.
- Do mutual fund investors really show heuristic and disposition effect during mutual fund selection.
- Financial behaviour of investors while investing in mutual fund –Studies based on cognitive dissonance, regret and prospect theory.