

Mutual Fund Investments and Socio Economic Status- An Empirical Study of Punjab

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Abstract

The investment in mutual funds facilitates the people who are having less knowledge, time and any other constraint on their social or economic front. In this regard, the current study is an endeavour to analyse the satisfaction and awareness of the mutual fund investors on the different parameters of satisfaction and awareness. Further, association of socioeconomic profile of the respondents with awareness and satisfaction from mutual funds has been examined. By calculating weighted average score and chi square value, study has shown that the mutual fund investors are neither highly satisfied nor fully aware about mutual fund investments. Further, the association of the satisfaction and awareness has been found with most of the socio economic variables of the respondents. The study further suggested the measures to be taken by different stakeholders in the interest of the investors of mutual funds and overall mutual fund industry.

Keywords. *Mutual funds, Demographic variables, Chi square test*

1. Introduction

The economic development of a country depends upon the mobilization of resources by the different stakeholders of economy. These stakeholders have different options of investing the money into the different financial avenues related to resource mobilization¹. The decision in these avenues is affected by the characteristics of the investor and the characteristics of the investment avenue.

In Indian context, different types of investment avenues are available including bank deposits, real estate, share market, mutual funds and other fixed income securities. With rapid increase in financial instruments, mutual fund industry has gained its momentum as well². Over

the years mutual funds have emerged as one of the preferred investment avenues³⁻⁴. It has been noted that the mutual funds industry in India has also achieved maturity and has grown dramatically over the years⁵. In this regard, the current paper is focussed upon the mutual funds as the source of Investment Avenue.

In present volatile financial market mutual funds have become essential for beginners. Securities and Exchange Board of India (mutual Fund) Regulations, 1996 defines “mutual funds as a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments”. These

mutual funds are subject to normally invest in the equity and debt related instruments. The decisions regarding such selection depends upon the expectations of the investors of mutual fund. So, such investments must be done by fixing the priorities.

The mutual funds work in the four tier group including sponsor, trustees, asset management company and custodian. It is a mechanism for pooling together the savings of large number of Investors for collective investments with an objective of attractive yields and appreciation in their value. As per Mutual Fund Book (published by Investment Company Institute of US) "A Mutual Fund is a financial service organization that receives money from shareholders, invests it, earns returns on it, attempts to make it grow and agrees to pay the shareholders cash on demand for the current value of his investment".

The investment in mutual funds thus facilitate the people who are having less knowledge, time and any other constraint on their social or economic front. In this regard, the current study is an attempt to analyse the satisfaction and awareness of the investors on the different parameters. Further, association of the socio economic status with the satisfaction and awareness of the respondents mutual funds investments has been examined. These parameters have been selected on the basis of literature support.

2. Literature Support

As far as the literature is concerned, lot of studies have been conducted on the investment

avenues available for the investors. However, there is a dearth of literature available on the studies specifically related to satisfaction from the mutual funds and its relation with demographic profile of the investors. However, there is no study found in the Doaba region of Punjab in this context. So, the support of literature for conducting such study is presented as under

Kopsch, Songand Wilhelmsson (2013) ⁶ studied the determinants of aggregate fund flows to both equity and hybrid mutual funds. Three hypotheses that helped explaining the relationship between mutual fund flows and stock market returns, namely; the feedback-trader hypothesis, the price-pressure hypothesis and the information-response hypothesis. These hypotheses had been tested over the period 1998-2013. The methodology is twofold i.e., through the structural models regarding the relationship between mutual fund flows and financial macro variables.

Martin, Malhotra and Tsetsekos (2014) ⁷ focused to investigate empirically whether a record of effective governance leads to improved risk-adjusted rates of return for mutual funds. It also identified which governance factors contribute to improved risk-adjusted returns. Initially review of related literature has been done the method of investigation is described with a brief description of data.

Kaur and Kaushik (2015) ⁸ examined the effect of awareness, attitude (perception for outcome) and socioeconomic conditions of an investor on his investment behaviour towards mutual funds with the logit model. The research

found that investment behaviour could be explained with awareness, perception and socioeconomic characteristics of individual investors. Better awareness related to various aspects of mutual funds will have a positive effect on investment in mutual funds. Contrary to belief, risk perception for mutual funds had no effect on the investment decision. Further, socioeconomic characteristics such as age, gender, occupation, income and education of investors had an impact on the awareness about mutual funds.

Nabi and Zuhair (2015)⁹ measured the performance of Pakistani mutual fund industry from 2014 to 2017. There were total 233 mutual funds operating in the mutual industry of Pakistan. Out of 233 mutual funds, total 45 mutual funds were selected for the study (23 mutual funds were from equity while only 22 mutual funds were selected from money market). Sharpe ratio was used to measure the risk adjusted performance of mutual funds. The Sharpe ratio in both equity funds and money market funds were found to be positive, thus indicating that funds managers have the ability to diversify investment to decrease the risk.

Bhayani (2017)¹⁰ studied the recent trends in mutual fund industry in India. It has been observed that mutual funds have become an important part of investment. Moreover, the study attempts to identify the major changes which can be marked for mutual funds as an investment options.

Pandow (2017)¹¹ elaborated that one of the important goals of the mutual fund industry is to attract and mobilise major portion of the

House Hold Savings (HHS) in order to enable the small savers to benefit from the economic growth by facilitating them to park their savings. The study showed that industry is confronted with number of challenges like low penetration ratio, lack of product differentiation, lack of investor awareness and ability to communicate value to customers, lack of interest of retail investors towards mutual funds and evolving nature of the industry. Based on the analysis the study suggests that if the industry has to utilize its potential fully, it has to address these challenges.

Kaur and Bala (2019)¹² evaluated the performance of four equity infrastructure sectorial mutual fund schemes in India for the period from 31st March 2011 to 31st March 2018. The performance of the selected mutual fund schemes had been compared with Benchmark BSE 100 on the basis of quarterly returns. In addition, 91 days treasury bills risk free rate has been taken for study. Statistical tools like average, standard deviation, beta and the risk adjusted performance measures suggested by Sharpe (1966), Treynor (1965) and Jensen (1968) has been used to evaluate the performance of selected mutual fund schemes. The study concluded that L&T Infrastructure fund stands on 1th rank because it is providing good return of 3.87 % with moderate risk as compared to other schemes.

3. Methodology

3.1. Need and objectives of the Study

Capital market is an essential element for risk, liquidity, return etc. All these factors lead to choice of investment avenues based upon the

priorities fixed¹³. As per the studies, the choice of investment avenues and the priorities along with are also affected by the socio economic background of the investors. Hence the current paper examines the association of these socio economic parameters with the investor's awareness with special reference to mutual funds as it may affect the satisfaction of the investors of mutual funds¹⁴. However, following are the specific objectives of the study.

3.2. Objectives of the Study

The present study is based on the following objectives

- I. To examine the level of satisfaction and awareness of investors regarding mutual fund investment.
- ii. To examine the association of overall satisfaction with socio economic status of respondents.
- iii. To examine the association of overall awareness with socio economic status of respondents.

3.3. Research design and sampling:

The research design for the present study is descriptive as it matches well with the objectives of the study. The study is based upon primary sources of data based upon Doaba region of Punjab. There are 120 respondents selected for the study who have invested in the mutual funds. The sample has been selected on the basis of convenience and as per the references as given by the other respondents who has exclusively invested in the mutual funds. For data collection, structured questionnaire has been used in the study. As far as the sampling techniques are concerned, the study is based upon weighted

average score and chi square test. The chi square test has been used as a test of association of socio economic profile of respondents with the satisfaction and awareness about mutual fund investments. The tests have been applied by using SPSS (Statistical Package for the Social Sciences).

3.4. Hypotheses of the study: As far as the hypotheses testing is concerned, the study is based upon two hypotheses:

H₀₁: There is no significant association of the overall satisfaction with the socio economic status of the respondents.

H₀₂: There is no significant association of the overall awareness with the socio economic status of the respondents.

Hence, the alternate hypotheses have shown the significant association of overall satisfaction and overall awareness with the socio economic status of the respondents.

3.5. Limitations of the study:

- i. The study is based upon the responses of only 120 respondents as only the respondents who have invested in mutual funds have been considered
- ii. The study is based upon the Doaba region of Punjab. Hence the findings can't be generalized to the other regions of Punjab and India as well.

4. Data Analysis and Interpretation

The Analysis is done in two parts. The first part is related to examine the satisfaction and awareness level of respondents from the investments made in mutual funds. In part two, association of overall satisfaction and awareness

level of respondents from the investments made in mutual funds. In part two, association of overall satisfaction and awareness with the socio economic status of the respondents has been examined.

Part I

The overall satisfaction has been measured on the basis of return, growth, balanced risk, motive of tax saving and the value of mutual fund. Here, the discussion is based upon the weighted average value of five point likert scale. The highest satisfaction is assigned the value "1". Whereas the highest dissatisfaction is assigned the value 5.

Table 1. Satisfaction of mutual fund investors

Parameter	N	Mean
Return	120	2.26
Growth	120	2.49
Balanced Risk	120	2.72
Tax Saving	120	2.46
price/value	120	2.44
Overall satisfaction	120	2.473

(Source: Primary Data)

Table 1 shows that the mutual fund investors are moderately satisfied from the return, growth, risk, tax benefit and the value of mutual fund. Hence, the overall satisfaction is found to be moderate for the investors of mutual fund investors. The mean value for the overall satisfaction is found to be 2.473 for such mutual fund investors. However, as far as the return is concerned, most of the investors are near to satisfactory stage as the mean value for the return is found to be 2.26. The main area of concern here is that the risk perception of the investors of mutual funds is high as mean score is found to be

2.72 for the same. It further puts the question mark on the ability of the mutual funds in balancing the risk as well.

Table 2. Awareness of mutual fund investors from different parameters

Awareness Parameter	N	Mean
Return	120	2.60
Liquidity	120	2.92
Security	120	2.91
Tax benefit	120	2.93
Growth	120	2.98
Maturity	120	2.72
Source	120	2.68
Rules	120	2.93
Scheme Features	120	3.03
Other Options	120	3.01
Reputation	120	2.94
Risk	120	2.94
Capital Required	120	2.93
Services	120	2.95
Sponsor	120	2.77
Disclosure Net Assets	120	2.82
Rating	120	3.09
Skill of Fund Managers	120	3.07
Diversification of Portfolio	120	3.33
Overall Awareness	120	2.92

(Source: Primary Data)

The overall awareness has been measured on the basis of return, Liquidity, security, tax benefit, growth, maturity, source, rules, scheme, options, reputation, risk, capital required, services, sponsor, disclosure net assets, rating, skill of fund managers, diversification of portfolio and overall awareness. Here, the discussion is based upon the weighted average value of five point likert scale. The highest awareness is assigned the value "1". Whereas the highest level of unawareness is assigned the

value 5.

Table 2 shows that the mutual fund investors are moderately aware or near to unaware for most of the parameters of awareness including return, Liquidity, security, tax benefit, growth, maturity, source, rules, scheme, options, reputation, risk, capital required, services, sponsor, disclosure net assets, rating, skill of fund managers, diversification of portfolio and overall awareness. The highest awareness is found to be for the returns for the mutual fund investors as the mean value for the return is found to be 2.60. The least awareness is found to be for the diversification of portfolios as the mean value for such variable is found to be 3.33. All the other parameters of awareness are found to be between moderately aware to unaware. The mean value for the overall awareness is found to be 2.92 for such mutual fund investors. The main area of concern here is that mutual fund being so important part of the economic development is unable to create the awareness for different components which are regarded as essential element.

Part II

In this part the association of overall satisfaction with the socio economic variables of the students has been evaluated. In this concern, Chi square test has been applied as a test of association.

Table 3 shows the association of the overall satisfaction with the socio economic status of the respondents as the socio economic status has its strong relationship with the satisfaction of investors. As per the table, the socio economic variables includes gender, age, education, income, occupation, family pattern, residence, size of family members and earning members. The categorization of such variables has been done on the basis of literature support.

The study shows that there is an association of the overall satisfaction with most of the socio economic variables of the respondents. In this regard, five percent level of significance has been taken for acceptance and rejection of hypothesis. At this level of significance, the association of overall satisfaction is found for gender, age, education, income, occupation, size of family members and

Table 3. Association of overall satisfaction with socio economic variables

Socio-Economic Variable	Pearson Chi-Square value	Sig. Value (2-sided)	Hypothesis Accepted/Rejected
Gender	34.802	.007	Rejected
Age	138.301	.000	Rejected
Education	116.323	.000	Rejected
Income	54.601	.014	Rejected
Occupation	169.607	.000	Rejected
Family Pattern	24.981	.095	Accepted
Residence	41.671	.172	Accepted
Size of Family Members	130.365	.000	Rejected
Earning Members	91.002	.000	Rejected

(Source: Primary Data)

Note: 5% level of significance

earning members. Hence, Hypothesis (H_{01}) is rejected for these variables ($P < 0.05$). On the other hand there is no significant association found between overall satisfaction and family pattern and residence. Hence, (H_{01}) is accepted for such variables ($P > 0.05$).

age, education, income, occupation, residence, size of family members and earning members. Hence Hypothesis (H_{02}) is rejected for these variables ($P < 0.05$). On the other hand there is no significant association found between gender and family pattern. Hence, (H_{02}) is accepted for such

Table 4. Association of overall awareness with socio economic variables

Socio economic Variable	Pearson Chi-Square value	Sig. Value (2-sided)	Hypothesis Accepted/Rejected
Gender	53.090 ^a	.098	Accepted
Age	190.951 ^a	.000	Rejected
Education	158.584 ^a	.017	Rejected
Income	119.064 ^a	.005	Rejected
Occupation	311.203 ^a	.000	Rejected
Family Pattern	51.605 ^a	.124	Accepted
Residence	105.475 ^a	.042	Rejected
Size of Family Members	299.044 ^a	.000	Rejected
Earning Members	194.067 ^a	.000	Rejected

(Source: Primary Data)

Note: 5% level of significance

Table 4 shows the association of the overall awareness with the socio economic status of the respondents. The socio economic variables considered for examining the association of overall awareness are same as considered for overall satisfaction namely gender, age, education, income, occupation, family pattern, residence, size of family members and earning members. The reason behind is to draw the inferences for satisfaction and awareness on same parameters of socio economic variables. The categorization of such variables has been done on the basis of literature support as well.

The study shows that there is a significant association of the overall awareness with most of the socio economic variables of the respondents. The association of overall awareness is found for

variables ($P > 0.05$).

5. Conclusion and Suggestions

The study has shown that the mutual fund investors are not highly satisfied from their respective investments. The satisfaction parameters including return, growth, balanced risk, motive of tax saving and the value of mutual fund is not even near to satisfaction. None of the parameters of satisfaction has shown the level of highly satisfied as well. Similarly, the investors have not shown appropriate awareness level for the different parameters of awareness including return, liquidity, security, tax benefit, growth, maturity, source, rules, scheme, options, reputation, risk, capital required, services, sponsor, disclosure net assets, rating, skill of fund

managers, diversification of portfolio and overall awareness. This symbolizes that there is a need to create better understanding of the mutual funds among the mutual fund investors. Further, the significant association of the satisfaction and awareness has been found for most of the socio economic variables of the respondents. In this direction, the groups which have shown lower awareness and satisfaction must be focussed for creating the desired level of satisfaction and awareness. As far as the suggestions for the other stakeholders are concerned, the sponsors, trustees and fund managers should take the responsibility of educating the investors on various parameters of the mutual funds. Further, the regulatory bodies of mutual fund like (Association of Mutual Fund of India, Security Exchange board of India etc.) must direct the sponsors to work with transparency and take initiatives for educating the investors as well. There should be some mandates as well for the compulsory disclosure of various parameters for educating the investors as well.

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