

Factors Influencing Investors In Mutual Funds Selection

Ms. S. Neelima¹Dr.D.Surya Chandra Rao²

¹*Research Scholar, Krishna University, Machilipatnam*

²*Registrar and Professor Department of Business Management Krishna University Machilipatnam, A.P., India-*

Abstract:

Executive Summary: *In the financial industry, Mutual Funds have happen to be a chosen topic to millions of people all over the world. A mutual fund is a special type of institution, a trust or an investment company which acts as an investment intermediary and invests the savings of large number of people to the corporate securities in such a way that investors get steady returns, capital appreciation and a low risk. At the retail level, investors are unique and are a highly heterogeneous group. A large number of investment options are available to investors. Currently there are large numbers of schemes available and asset management companies (AMCs) compete against one another by launching new products or repositioning old ones. Unless mutual fund schemes are tailored to the changing needs, and the AMCs understand the fund selection behaviour of the investors, survival of funds will be difficult in future. With this background a survey was conducted among 302 investors in Tirupati urban center to study the factors influencing the fund/scheme selection behavior of retail investors by applying factor analysis tool. This paper is useful for managerial implication for the AMC's in their product designing and development.*

Key words: *Consumer behaviour, Mutual Funds, Service and Key Factors.*

I. Introduction

Among the many developments in the Indian financial sector, the growth in mutual fund investments is justifiably characterized as one of the most significant. The investor behavior was changing tremendously during and after the recession effect. There are several parameters that an investor will think before investing like return, flexibility, capital appreciation, safety, liquidity etc., but the markets will face a question mark in knowing the pulse of an investor. The mutual fund and Asset management companies must always be proactive to match up the changes that are taking place in the minds of the customer. Understanding the investor behavior becomes a critical source of competitive advantage to investment houses. From a funds manager's perspective, it is important to understand why some investors stay with a particular fund and why some switch to other funds within their fund family. Hence this paper studies the factors which influence in selection of mutual funds.

II. Literature Review

The existing "Behavioural Finance" studies are very few and very little information is available about investor perceptions, preferences, attitudes and behaviour. All efforts in this direction are fragmented. Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study revealed that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance. Newspapers and Magazines are the first source of information through which investors get to know about MFs/Schemes. Investor service is a major differentiating factor in the selection of Mutual Fund Schemes.

Sujit Sikidar and Amrit Pal Singh (1996) carried out a survey with an objective to understand the behavioural aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey revealed that The salaried and self employed formed the major investors in mutual fund primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds had not proved to be a big hit. Syama Sunder (1998) conducted a survey to get an insight into the mutual fund operations of private institutions with special reference to Kothari Pioneer. The survey revealed that Awareness about Mutual Fund concept was poor in small cities like Visakapatnam. Agents play a vital role in spreading the Mutual Fund culture. Open-end schemes were much preferred. Age and income are the two important determinants in the selection of the fund/scheme. Brand image and return are the prime considerations while investing in any Mutual Fund. Shanmugham (2000) conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the

factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

SEBI – NCAER Survey (2000) was carried out to know the portfolio size, investment preference for equity as well as other savings instruments. Data was collected from 3,00,0000 geographically dispersed rural and urban households. Some of the relevant findings of the study; Households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class.43% of the non-investor households equivalent to around 60 million households (estimated) apparently lack awareness about stock markets; and Compared with low income groups, the higher income groups have higher share of investments in Mutual Funds (MFs).Rajeswari and Rama Moorthy (2000) conducted an empirical study to understand investor preferences in purchasing mutual funds based on data obtained from a judgment sample of 350 educated investors in Urban and Semi-Urban cities. In the survey, the respondents were asked to rate the importance of the 23 variables on a 5 point scale of importance. The data were factor analyzed using Principal Component Analysis, to extract selection criteria. The emergent selection criteria are: Product qualities, fund sponsor qualities and investor services. The survey discovered that the most preferred investment vehicle is Bank Deposits, with MFs ranking 4th in the order. Growth schemes ranked first among MF's, the investors look for safety and the selection decision is taken on their own. Kavitha Ranganathan (2004) conducted a study on investor perceptions. Sample size is limited to 100 educated individual investors in the city of Mumbai. She found in her study that Savings Objective of the majority of individual investors is 'to provide for Retirement', the respondents have good awareness level of MFs, Shares are favoured 'Growth Scheme' and 'Open- Ended' schemes are favoured and factor analysis is done to analyse the selected factors.Bala Ramaswamy and Mathew.C.H.Yeung (2003), examined the relative importance of factors considered important in the selection of mutual funds by financial advisors in emerging markets. The survey focuses on Malaysia. The result of the survey point out to three important factors which dominate the choice of mutual funds. These are consistent past performance, size of funds and cost of transaction. Factors which relate to fund managers and investment style are not considered to be relatively important. Conjoint analysis was selected to study the importance of attributes for mutual fund selection.

Research Gap

The present study is proposed to study, analyze the factors which influence the behavior of investors in selection of Mutual fund. Studies on analysis of investor's behavior found from time to time. The studies gave a mixed outcome- sometimes have given positive result and sometimes not. In view of this there is an ample scope for a new study to analyze and study the investor's behavior.The revelations from survey of literature make it evident that investors are improving in awareness and investment choice making and are looking for information for rational decision making. A study on this aspect is necessary to update the knowledge.

III. Objectives of the Study

- IV. To identify the factors that influence the investor's fund/ scheme selection.
- V. To find out the savings objective of the investors
- VI. To identify the savings methods preference of the investors

Limitations of the Study

1. Sample size is limited to 302 investors in a semi-urban city (Tirupati) and this may not be true representation to all semi urban towns in India.
2. The personal bias of the respondents might have some influence on the study.

Hypothesis of the Study

- Investor choices are influenced by various fund related factors
- Investor choices are influenced by fund sponsor related qualities
- Investor choices are influenced by investor related services.
- Investors savings objective is to meet contingencies and to purchase assets
- Investors savings method is investing in shares , life insurance and mutual funds.

IV. Methodology of the study

Data collection

For carrying out investors study, the population was defined as residents of semi urban town, who have Mutual fund / life insurance policy in any company. The data was collected with the help of a questionnaire.

Questionnaire design

The questionnaire consists of three parts – personal details, investor opinion related to fund qualities, fund sponsor qualities, investor related services and awareness of investors. The questionnaire consists of 30

questions. The questionnaire is developed based on the questionnaires of Rajeswari and Rama Moorthy (2000) and Kavitha Ranganathan (2004).

Sample

A sample of investors is obtained by contacting investors. There are about 12 investment consultancy firms which have good investor base as given in **Exhibit No: 1**. The firms are contacted for getting lists of investors. However, all of them refused to provide lists for two reasons: (i) confidentiality and (ii) inconvenience.

Exhibit No. 1: Investment consultancy Firms

S.No	Name and location	Existence (Years)
1	Steel city securities limited, Near Vasan Eye care Hospital.	13 years
2	Motilal oswal securities limited, Near Municipal office	>8 years
3	Karvy stock broking limited , RC road	9 years
4	Kotak securities , VV Mahal road	>7 years
5	Acumen stock broking, Krishna complex	>5 years
6	Vertex securities, Tilak road	>7 years
7	Way 2 wealth, Korlagunta	>3 years
8	Net worth stock broking limited, Tilak road.	>6 years
9	Reliance money, near By pass road, Korlagunta.	>5 years
10	Bonanza securities ltd, Near Central park	>6 years
11	Religare securities, Balaji colony	>7 years
12	India infoline, Near Municipal office.	>8 years

However, five major firms permitted to contact investors who visit their offices. By contacting more than 382 investors who have invested in mutual funds, at the time of leaving the office during a 10 day period, satisfactory and complete responses are obtained from 302 investors.

Data Analysis

The investor data are analysed using Descriptive statistics - Simple percentages, mean and standard deviations and Factor analysis (for reducing data)

Profile of the Respondents

The study was carried out by collecting responses from respondents (N = 302). The questionnaire consists of three parts – personal details, investor opinion related to fund qualities, fund sponsor qualities, investor related services and awareness of investors. The questionnaire consists of 30 questions. The questionnaire is developed based on the questionnaires of Rajeswari and Rama Moorthy (2000) and Kavitha Ranganathan (2004). A brief profile of the respondents is reported in table 1. Using the visual binning process in SPSS, we have categorized the variable age and it shows that majority of the respondents were observed to be in the age group of 41-50 (38.1%) and then in the age group of 31-40(35.1%). In a similar way, the data characteristics are reported for the remaining variables like, occupation, education, gender and monthly income.

Table 1: Profile of Respondents

Variable	Categories	Frequency	%
Gender	Male	196	64.9
	Female	106	35.1
Age	31-40	106	35.1
	41-50	115	38.1
	Above 50	81	26.8
	Married	212	70.2
Marital status	Unmarried	88	29.1
	Divorced	02	0.7
	Education	School	24
Graduate		96	31.8
Post Graduate		109	36.1
Professional degree		73	24.17
Occupation	Professional	62	20.5
	Businessman	68	22.5
	Salaried	159	52.6
	Retired	13	4.3
Income	Less than Rs.1,00,000	78	25.8
	Rs.1,00,001 – Rs. 3,00,000	124	41.1
	Rs.3,00,001 – Rs. 5,00,000	48	15.9
	Above Rs 5,00,000	52	17.21

For a comprehensive understanding of the factors that influence the investment decisions relating to mutual funds, a set of 25 statements, sub grouped into three dimensions Fund related factors- (11 statements), Sponsor related factors - (6 statements), Investor service related factors- (8 statements) Further, the same technique has been run to analyze the factors using Principal component analysis as an extraction method considering Varimax rotation.

V. Results and Discussions

In the survey, the respondents were asked to rate the importance of the 25 specified variables on a 5 point scale ranging from Highly Important (5) to Not at all Important (1). The data for each of the 3 sub-groups were factor analysed using Principal Component Analysis, with the objective of identifying the factor in the sub-group which turns out to be significant in the fund/scheme selection.

H1- Investors choices are influenced by Fund Related Factors

The 11 fund related variables were analysed for their importance. The analysis reveals that the investor considers all the 11 variables as important in his selection of the fund/scheme. The mean value and ranks is given in Table 2.

Table 2: Fund Related Factors for Factor Analysis

S.No	Factors (N=2400)	Mean	SD	Rank
1	Fund performance record	4.52	0.763	1
2	Funds reputation or brand name	4.23	0.870	2
3	Scheme' s expense ratio	3.91	1.09	8
4	Scheme' s portfolio of investment	3.97	0.945	5
5	Reputation of the Fund Manager/ scheme	4.13	0.981	3
6	Withdrawal facilities	4.00	0.976	4
7	Favourable rating by a rating agency	3.92	0.976	7
8	Innovativeness of the scheme	3.63	1.1234	11
9	Products with tax benefits	3.87	1.143	9
10	Entry & Exit load	3.77	1.105	10
11	Minimum initial investment	3.96	1.156	6

Scale 5- Highly important 1-Not at all important

Hence, to identify the investor's underlying fund/scheme selection criteria, so as to group them into specific market segment to enable the designing of the appropriate marketing strategy, Factor Analysis was done using Principal Component Analysis.

Table 3: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.823
Bartlett's Test of Sphericity	Approx. Chi-Square	721.748
	Df	55
	Sig.	0.00

Table 4: Total Variance

S.No	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.622	32.930	32.930	2.694	24.493	24.493
2	1.424	12.950	45.879	2.353	21.387	45.879
3	0.945	8.593	54.473			
4	0.907	8.245	62.718			
5	0.852	7.746	70.465			
6	0.694	6.312	76.776			
7	0.631	5.738	82.514			
8	0.539	4.904	87.418			
9	0.499	4.540	91.958			
10	0.458	4.165	96.123			
11	0.426	3.877	100			

Extraction Method: Principal Component Analysis

Table 5: Rotated Component Matrix for various qualities Studied in the research

S.No	Factors	1	2
1	Fund performance record	0.397	-0.468
2	Funds reputation or brand name	0.662	-0.012
3	Scheme’ s expense ratio	0.632	0.269
4	Scheme’ s portfolio of investment	0.671	0.253
5	Reputation of the Fund Manager / Scheme	0.727	0.093
6	Withdrawal facilities	0.540	0.243
7	Favourable rating by a rating agency	0.404	0.534
8	Innovativeness of the scheme	0.099	0.723
9	Products with tax benefits	0.228	0.646
10	Entry & Exit load	0.413	0.410
11	Minimum initial investment	0.188	0.732

To have better understanding of the data, factor analysis is conducted. From the Table 3 it is clear that the approximate chi-square statistic is 721.748 with 55 degrees of freedom which is significant at 0.05 levels. The KMO statistic (0.823) is also large (>0.5). Hence factor analysis is considered as an appropriate technique for further analysis of data. On the basis of Varimax Rotation with Kaiser Normalisation, 2 factors have emerged. From Table 4 it is found that two factors are explaining about 45.879% of the variance. Each factor is constituted of all those variables that have factor loadings greater than or equal to 0.5 as shown in Table 5. The factors are named as given in table 6 has explained below.

Factor – 1 is labeled as “Performance and External Fund qualities”. It comprised four items: Fund’s Reputation , Scheme’s expense ratio, Reputation of the Fund Manager/ scheme and Schemes portfolio of investment. Factor -2 is called “Internal fund qualities” It consisted of three 3 items, Innovativeness of the scheme, products with tax benefits and Minimum initial investment. All the two factors are important as they have items which are rated important with a mean score around 4.

Table 6: Factors and Qualities Mean and Standard Deviations

Factor	% variance	Qualities	Mean	SD
1. Performance and External fund qualities	24.493	Scheme’ s expense ratio	3.91	1.09
		Reputation of the Fund Manager/ scheme	4.13	0.981
		Funds reputation or brand name	4.23	0.870
		Scheme’s portfolio of investment	3.97	0.945
2.Internal fund qualities	21.387	Products with tax benefits	3.87	1.143
		Innovativeness of the scheme	3.63	1.1234
		Minimum initial investment	3.96	1.156

Scale 5- Highly important 1-Not at all important

H2- Investors choices are influenced by Fund Sponsor Related Qualities

The six fund sponsor related variables were analysed for their importance. The analysis reveals that the investor considers all the 6 variables as important in his selection of the fund/scheme. The mean value and ranks is given in Table 7.

Table 7: Fund Sponsor Related Qualities based on Factor Analysis

S.No	FACTORS (N=2400)	Mean	SD	Ranks
1	Reputation of sponsoring firm	4.22	0.904	3
2	Sponsor has a recognized brand name	3.87	1.140	4
3	Sponsor has a well developed agency & network.	4.26	3.076	1
4	Sponsor’s expertise in managing money.	4.25	0.907	2
5	Sponsor has a well developed research & infrastructure.	3.83	1.085	5
6	Sponsor’s past performance in terms of risk and return	4.26	0.839	1

Scale 5- Highly important 1-Not at all important

To identify the sponsor related qualities, which influences the investor’s fund selection, factor analysis is conducted. Table 8 shows the results of KMO and Bartlett’s Test.. The KMO statistic (0.499) is also nearest to (0.5). Hence factor analysis is considered as an appropriate technique for further analysis of data.

Table 8: KMO and Bartlett’s Test with approximate Chi-Square

KMO and Bartlett’s Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.499
Bartlett’s Test of Sphericity	Approx. Chi-Square	94.137
	Df	15
	Sig.	0.00

Table 9: Total Variance

S.No	Initial Eigen Values			Total Variance Explained					
	Total	% of Variance	Cumulative %	Extraction Sums of Squared Loadings	% of Variance	Cumulative %	Rotation Sums of Squared Loadings	% of Variance	Cumulative %
1	1.466	24.433	24.433	1.466	24.433	24.433	1.466	24.430	24.430
2	1.333	22.223	46.656	1.333	22.223	46.656	1.334	22.226	46.656
3	0.991	16.522	63.178						
4	0.936	15.598	78.776						
5	0.694	11.566	90.343						
6	0.579	9.657	100.000						

Extraction Method: Principal Component Analysis

Table 10: Rotated Component Matrix for Various qualities studied under the research

S. No	Qualities		
		1	2
1	Reputation of sponsoring firm	0.688	-0.064
2	Sponsor has a recognized brand name	0.789	-0.182
3	Sponsor has a well developed agency & network	0.332	0.066
4	Sponsor's expertise in managing money	-0.086	0.740
5	Sponsor has a well developed research & infrastructure	0.495	0.340
6	Sponsor's past performance in terms of risk and return	0.083	0.793

Table 9 explains the Total variance explained. Retaining only variables with Eigen Values greater than 1, we can infer that two factors together contribute to 46.656%. On the basis of Varimax Rotation with Kaiser Normalisation, 2 factors emerged. Factor 1 accounts for 24.430% of variance and factor 2 accounts for 22.226% of variance and all together they explain 46.656% of variance. The identified factors with the associated qualities and factor loadings are given in Table 10. Each factor is constituted of all those qualities that have factor loadings greater than or equal to 0.5. The two factors named as given under are:

- Expertise** - Sponsor's expertise in managing money and Sponsor's past performance in terms of risk and return
- Recognition/Image** - Sponsor has a recognized brand name and reputation of sponsoring firm As all the qualities have mean scores around 4 all the factors are important

Table 11: Sponsor Related Factors Selection

Factor	% variance	Qualities	Mean	SD
Expertise	22.852	Sponsor's expertise in managing money.	4.25	0.907
		Sponsor's past performance in terms of risk and return	4.26	0.839
Recognition/Image	22.192	Sponsor has a recognized brand name	3.87	1.140
		Reputation of sponsoring firm	4.22	0.904

Scale 5- Highly important 1-Not at all important

H3- Investors choices are influenced by Investor Related Services

The 8 fund investor related variables were analysed for their importance. The analysis reveals that the investor considers all the 8 variables as important in his selection of the fund/scheme. The mean value and ranks is given in Table 12.

Table 12: Investor Related Services: Factor analysis

S.No	Services	Mean	SD	Ranks
1	Disclosure of investment objective in the advertisement.	4.30	0.863	1
2	Disclosure of periodicity of valuation in the advertisement.	4.07	0.836	4
3	Disclosure of the method and the periodicity of the schemes sales and repurchases in the offer documents.	4.29	0.823	2
4	Disclosure of NAV on every trading day.	4.04	0.844	5
5	Disclosure of deviation of investments from the original pattern	4.11	0.972	3
6	MF's Investor's grievance redressal machinery.	3.97	0.854	7
7	Fringe benefits i.e., free insurance, credit cards ,loans on collateral, tax benefits etc.	3.98	0.996	6
8	Preferred MF to avoid problems, i.e., bad deliveries, and unnecessary follow up with brokers and companies.	3.90	0.968	8

Scale 5- Highly important 1-Not at all important

To identify the investor services related factor, which influences the investor's fund selection, factor analysis is conducted. Table 13 shows the results of KMO and Bartlett's Test.. The KMO statistic (0.575) is also large (>0.5). Hence factor analysis is considered as an appropriate technique for further analysis of data.

Table 13: KMO & Barlett’s Test with approximate Chi-Square

KMO & BARTLETT’S TEST		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.575
Bartlett’s Test of Sphericity	Approx. Chi-Square	166.275
	Df	28
	Sig.	0.00

Table 14: Total Variance

S.No	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.894	23.670	23.670	1.894	23.670	23.670
2	1.157	14.467	38.137	1.157	14.467	38.137
3	1.137	14.208	52.345	1.137	14.208	52.345
4	1.023	12.788	65.132	1.023	12.788	65.132
5	0.859	10.732	75.864			
6	0.722	9.024	84.888			
7	0.668	8.350	93.238			
8	0.541	6.762	100.00			

Extraction Method: Principal Component Analysis

Table 15: Rotated Component Matrix for various Services

Rotated Component Matrix					
S.No	Services	Component			
		1	2	3	4
1	Disclosure of investment objective in the advertisement	0.561	-0.381	0.037	-0.047
2	Disclosure of periodicity of valuation in the advertisement	0.456	-0.002	-0.237	0.703
3	Disclosure of the method and the periodicity of the schemes sales and repurchases in the offer documents	0.449	-0.449	0.507	0.221
4	Disclosure of NAV on every trading day	0.315	0.685	-0.042	0.408
5	Disclosure of deviation of investments from the -original pattern	0.456	0.260	0.632	-0.151
6	MF’s Investor’s grievance redressal machinery	0.532	0.436	-0.173	-0.457
7	Fringe benefits i.e., free insurance, credit cards, loans on collateral, tax benefits etc.	0.617	-0.036	-0.078	-0.258
8	Preferred MF to avoid problems, i.e., bad deliveries, and unnecessary follow up with brokers and companies.	0.443	-0.287	-0.621	-0.113

Table 14 explains the Total variance explained. Retaining only variables with Eigen Values greater than 1, we can infer that four factors together contribute to 65.132%. On the basis of Varimax Rotation with Kaiser Normalisation, 4 factors emerged. Factor 1 accounts for 23.670% of variance and factor 2 accounts for 14.467% of variance, factor 3 accounts for 14.208% of variance and factor 4 accounts for 12.788%. The identified factors with the associated qualities and factor loadings are given in Table 15. Each factor is constituted of all those qualities that have factor loadings greater than or equal to 0.56. The four factors named as given under are depicted in Table 16.

1. **Expectations Disclosure** – Disclosure of investment objective in the advertisement , and Fringe benefits i.e., free insurance, credit cards, loans on collateral, tax benefits etc.
2. **NAV disclosure** - Disclosure of NAV on every trading day.
3. **Deviation Disclosure**- Disclosure of deviation of investments from the -original pattern.
4. **Performance Disclosure** : Disclosure of periodicity of valuation in the advertisement

Table 16: Investor Related Services with Qualities to Standard Deviation

Investor Related Services				
Factor	% variance	Qualities	Mean	SD
Expectations Disclosure	23.670	Disclosure of investment objective in the advertisement.	4.30	0.863
		Fringe benefits i.e., free insurance, credit cards ,loans on collateral, tax benefits etc.	3.98	0.996
NAV disclosure	14.467	Disclosure of NAV on every trading day.	4.04	0.844
		Disclosure of deviation of investments from the original pattern.	4.11	0.972
Performance Disclosure	12.788	Disclosure of periodicity of valuation in the advertisement.	4.07	0.836

Scale 5- Highly important 1-Not at all important

H4- Majority of the investor’s objective is to purchase assets

The investors savings objective is to meet contingencies (40%) , to provide for retirement (30%) followed by Purchase of assets (22%) , children’s education (4.97%) and for tax reduction (3%) . These are the investors preferred savings objectives. Though purchase of assets is expected to be a major objective, the survey reveals that they are the minimum preferred objective for investors. The information is given in the table below.

Table 17: Savings objective of investors

S.No	Savings objectives	Frequency	%
1	To provide for Retirement	91	30
2	To meet contingencies	121	40
3	For purchase of assets	66	22
4	For tax reduction	9	3
5	For children’s education	15	5

H5- Majority of the investor’s savings method is to invest in shares and mutual funds

The investors preferable savings avenues are Life insurance (62.05%), shares (60.36%), postal savings (60.07%), currency (55.7%), Real estate (52.45%) , pension and provident fund (50.60%) and Units of UTI & Mutual funds (40.53%) which is at 8th place of preference. Though the investment in mutual funds is expected at the highest rank but the preference was given to life insurance and shares.

Table 18: Savings Method of investors

S.No	Savings Methods	Frequency	%
1	Currency	55.70	4
2	Life Insurance	62.05	1
3	Shares	60.36	2
4	Postal savings	60.07	3
5	Real estate	52.45	5
6	Bank deposit	35.43	10
7	Pension and provident fund	50.60	6
8	Units of UTI & Mutual funds	40.53	8
9	Chits	44.50	7
10	Gold	37.91	9

VI. Conclusion

In actuality, the product qualities, fund sponsor qualities and investor services are important should be borne in mind by fund companies. They should build quality schemes to meet the expectations of the investors. Companies should develop their image by securing identity, recognition and strengthen relations with investors through information disclosure approaches. The mutual fund companies should support the investors in providing advisory services as investors have to invest systematically with proper guidance of the advisor. Mutual fund companies should allow the investors to participate in giving information regarding the design of the products and to reveal their attitude, preferences towards the investment. They should educate the investors as literacy levels in India are low and financial literacy even lower. So, the opportunity lies in not getting more money from existing customers but to start telling prospective investors about different savings and capital appreciation products. One more suggestion is that investor has to think for a long-term investment in mutual funds so as to fetch positive returns as mutual funds are more risk averse and diversified. The various factors identified in the study provide some valuable input regarding the investor’s pattern, their preference and Priorities this will guide the organization in designing financial products for the various segments of investors.

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