

A Study On Factors Influencing The Retail Investor's Attitudes Towards Mutual Funds In Raipur City

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Abstract

In India Saving money is among Indians' essential habits. One of the economic sectors in India that has grown the fastest over the past three decades is the mutual fund industry, which has incredible potential for ongoing, significant growth. Retail investors can easily, affordably, and conveniently save and invest with mutual funds. The purpose of this paper is to evaluate and understand an investor's perception and preference towards mutual funds by evaluating the literature on retail investor behavior based on income class people towards mutual funds based on available literature from past research papers. Identifying the key players is one of the crucial goals. One of the key goals is to pinpoint the gaps in the literature and offer potential directions for future research in income-class investors. Investment attitude towards mutual funds as a form of investment. The results will also be helpful to Mutual Fund companies in identifying the areas that need improvement and in helping them tweak their marketing plans.

Keywords: Retail Investor, Behavior, Risk, Return, Investment Preference, Mutual Fund.

1. INTRODUCTION

Over the past decades, the globalization of financial markets has grown the number of retail investors by offering a broad range of market and investment options. As a result, it complicates the process of making their investment choices. (Dr. M. Malathy, Saranya, J, 2017).

Investigating the variables that affect Indian individual investors' buying behavior is crucial in the current environment. According to behavioral finance, the structure of the information and the characteristics of capital market participants have a scientifically proven impact on people's investment decisions and market outcomes. (Jeet Singh, Preeti Yadav, 2016).

People invest their savings, and the reasoning for doing so depends on the speed and effectiveness with which information about investments reaches the investor, the income the investor will receive, and the degree of risk. Additionally, accurate pricing cannot be achieved when investors are not given a full and open reflection of the markets' information accuracy (Mehmet Islamolu, Mehmet Apan, and Adem Ayvali 2015).

We will review the literature to comprehend individual investment, gender, and income biases in investment, behavior, and factors affecting the same in this study. By reviewing earlier studies on individual investment behavior and the factors influencing customers' investment decisions, this study seeks to create a broad understanding. This study is important given the abundance of investment choices available today and the fact that young people are now spending more than they are saving due to consumerism. This research will provide light on key aspects influencing people's investing decisions and help marketers create suitable investment plans.

Mutual Fund Industry-Indian

The average assets under management (AAUM) for the month of May 2020 in the Indian mutual fund sector were 24,28,439 crores (or INR 24.28 trillion). As of May 31, 2020, the Indian mutual fund industry has assets under management (AUM) totaling 24.54.758 crore. In just ten years, the AUM of the Indian MF Industry increased more than thrice, from 7.43 trillion as of May 31, 2010, to 24.55 trillion as of May 31, 2020. The AUM of the MF Industry increased more than twofold in just 5 years, from 12.04 trillion on May 31, 2015, to 24.55 trillion on May 31, 2020. In May 2014, the industry's AUM reached the landmark of ten trillion rupees (ten lakh crore), and in just three years, it had expanded more than twofold and first crossed twenty trillion rupees (twenty lakh crore) in August 2017. As of May 31, 2020, the industry AUM was 24.55 trillion (24.55 lakh crore). As of May 31, 2020, there was 9.10 crore (91 million) total accounts (or folios in mutual fund lingo), whereas there were approximately 8.03 crore folios under equity, hybrid, and solution-oriented schemes, where the majority of investment comes from the retail sector. (80.3million). The number of folios has increased for 72 straight months.

2. REVIEW OF LITERATURE

The objective is to assess the literature on the behavior of retail investors toward mutual funds based on factors such as gender and income of these factors using the literature from previous research papers. Finding the gaps in the literature and outlining a course for future study in the area of retail investors from the pay class is one of the key goals. Investment practices with regard to mutual funds as a kind of investment. A large number of studies have been conducted in India and abroad covering different aspects of Mutual funds.

Sineni and Reddy (2017) This essay intends to investigate investor attitudes toward the mutual fund sector, particularly in rural and semi-urban areas. This document is useful for fund managers to increase their management because rural and urban areas make up the majority of India's population. The outcome demonstrates that even the majority of investors in FDs, gold, and insurance are unsatisfied because of the risk involved. Only 30% of respondents were found to be familiar with mutual funds. In addition, they appear to be perplexed about selecting the right scheme from among so many options. Banks were shown to have a significant role in raising the knowledge of mutual funds among uninformed investors, whose decision-making about investments was found to be significantly influenced by demographic characteristics.

Sondhi & Jain (2010) investigated the relationship between market risk and return for equity-linked mutual funds. This Indian-based analysis took six equity funds into account for three years. The study looked at the proportionality between beta and the return on the invested capital. Following the changes, it was found that categories, amount of funds, and possession patterns significantly impacted the performance of equity funds.

Singh and Jha (2009) studied the acceptance and awareness of mutual funds and discovered that, while consumers were generally unaware of systematic investing plans, they preferred mutual funds due to their return potential, liquidity, and safety. Before making an investment in a mutual fund, investors will take into account a number of things.

Shah and Narayan (2016) The researchers investigate the state of the Indian mutual fund market and the involvement of Indian individual investors. The report examined the 21 percent increase in mutual fund assets. The study also discovered that institutional investors made up a larger proportion of investors than did individual investors. Corporate sector investors dominate institutional investors. Individual investors choose equity-oriented investments more than institutional investors, who prefer liquid and debt-oriented investments. Additionally, it has been discovered that a scheme's prior performance is heavily considered when making current investment decisions. Additionally, they rely heavily on financial advisors. Another fact about the untapped rural market has come to light. Although it has great potential, rural residents were unable to invest in M.F. due to a lack of awareness, financial literacy, and infrastructure

Jensen's (2019) scale, first place. However, the study's main conclusion was that there are mutual fund investment possibilities. Additionally, the authors opined that young active investors should consider high-risk, high-return investments rather than less risky ones. For modest investors, a moderate return is appropriate. The study also found that small investors are unaware of the benefits of mutual funds when it comes to making choices based on safety, liquidity, and taxability.

Sengar and Upadhyay (2017) The researcher came to the conclusion that India's mutual fund business has much potential to grow and expand. The most popular funds are found to be income funds and growth funds, followed by short-term money market funds. Government bond funds were found to be the least popular. Ten benefits of investing in mutual funds were listed in the paper. These include qualified management, variety, practical administration, potential for return, low costs, liquidity, transparency, adaptability, choice of schemes, and well-regulated.

Jennifer, Sialm, and Zhang(2018) The study found that stable-risk funds outperformed those with more risk. It was said that the funds have taken on more risk in order to reap greater rewards, but their performance has been mediocre. Risk shifting is primarily the result of a lack of portfolio management expertise. The risk is transferred by adjusting the equity cash holding ratio, the exposure to the systematic risk of stock holdings, and the exposure to the idiosyncratic risk of equities holdings; The higher the volatility of the fund portfolio, the greater the risk. A portfolio with a high concentration of investments in a small number of sectors is also riskier. A well-balanced and well-diversified portfolio reduces risk. Thus, time-varying investment opportunities do not guarantee superior fund performance in terms of stock selection. Another factor that decreases a portfolio's performance is the expense of exchanging volatile funds.

3. CONCEPTUAL FRAMEWORK

Motivating factors such as Rate of Return, Financial Advisors and Friends and Family have been identified by Many researchers (Sineni and Reddy (2017), Sondhi & Jain (2010), Singh and Jha (2009) with respect to infusing the retail investor attitudes towards Mutual funds.

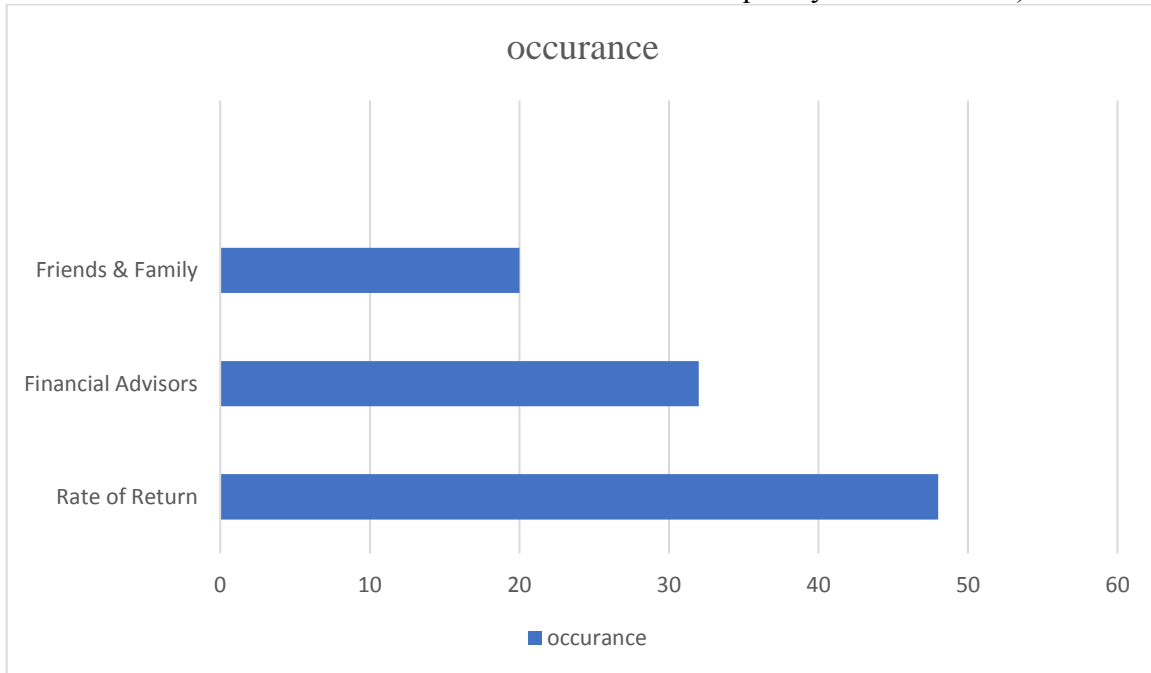
Table 1: Description of Factors

S. No.	Factors	Description
1.	Rate of Return	The desired rate of return aligns with an investor's financial goals and risk tolerance. Investors may seek aggressive growth, aiming for higher rates of return, while others may prioritize stability and choose funds with more modest but consistent returns.
2.	Financial Advisors	Financial Advisors provide market insights, analysis, and tailored recommendations, and craft strategies aligned with individual goals and risk tolerance. Mitigate risk through diversification and informed decisions and also it save time.
3.	Friends and Family	Familiarity with friends and family builds trust in investment recommendations, Investors feel more at ease discussing financial matters with close relations, Information exchange is straightforward and easily accessible, Investors can learn together about investing concepts and strategies, and Insights from personal experiences can guide investment decisions.

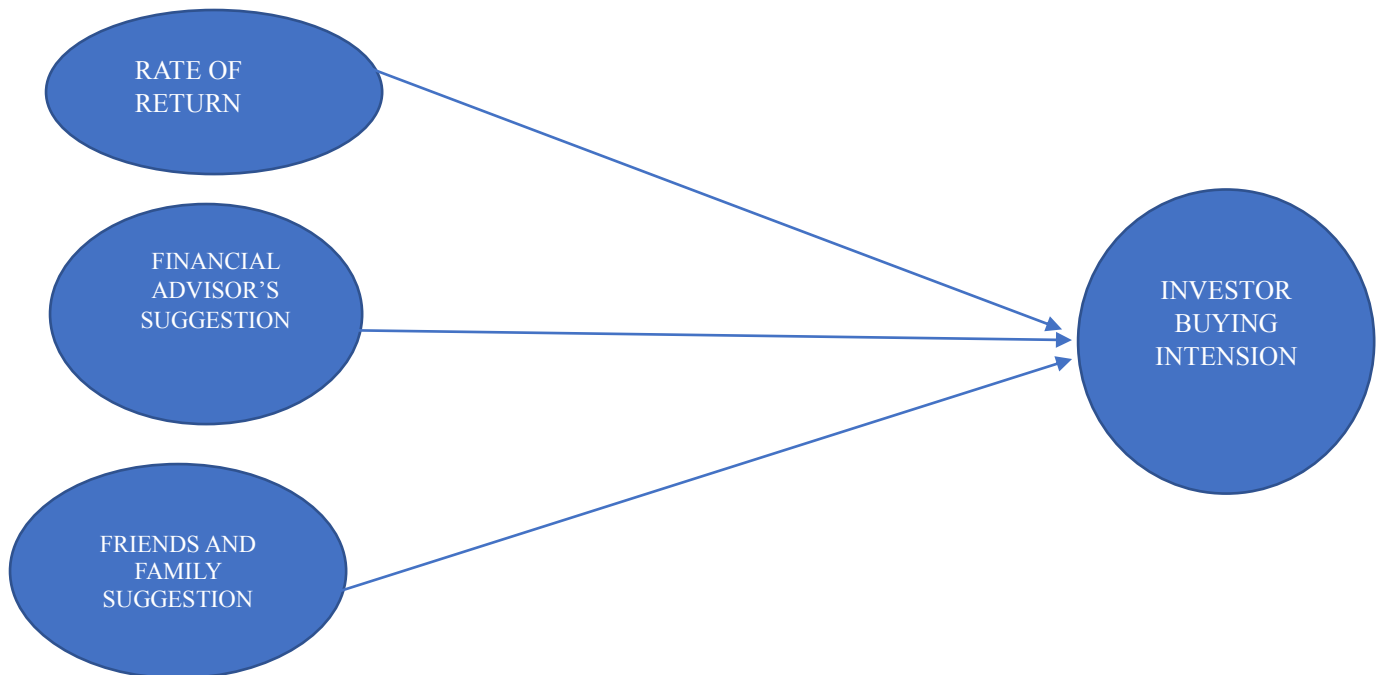
Factor Observations

Figure 1 depicts the frequency of occurrence of the factors in the reviewed literature which is the Rate of Return has occurred 48 times, Financial Advisors has occurred 32 times, Friends and Family occurred 20

Figure 1: Frequency of Occurrence of the Factors (Beneficial Factor for infusing the retail investor's attitudes towards Mutual funds - Frequency of Occurrence)



MODEL



4. OBJECTIVES AND HYPOTHESES

4.1. Objectives

This study aims to pinpoint the elements that affect retail investors' perceptions of mutual funds and validate the factors that motivate their purchase intentions.

4.2. Hypotheses

This study focused on identifying the factors influencing retail investor's attitudes toward Mutual funds. Based on these factors, the following hypotheses are derived:

4.2.1. Rate of Return

The rate of return of an investment often plays a significant role in influencing investor attitudes and behaviors. A positive rate of return is associated with perceived benefits. Investors may be more inclined to continue or expand investments with a favorable rate of return.

H01: Rate of Return impact on impact on investor buying intention toward Mutual funds.

4.2.2. Financial Advisors

Financial advisors play a crucial role in helping investors make informed, diversified, and goal-oriented investment decisions while providing ongoing guidance and support to investors which helps in investment decision-making.

H02: Financial Advisor's Suggestion impact on investor buying intention toward Mutual funds.

4.2.3. Friends and Family Suggestion

Friends and Family Suggestion is important for individuals in decision-making. Because loved ones can have better knowledge and experience towards investment and can offer valuable insights that can help in investment decision-making.

H03: Friends and Family Suggestion impact on investor buying intention toward Mutual funds.

5. METHODOLOGY

Articles are gathered from a variety of sources between the years of 2006 and 2020 as the first stage in identifying factors, and a conceptual framework is created. Three regressors are retrieved from the factors using exploratory factor analysis (EFA), which is a tool for factor identification. which CFA (Confirmatory factor Analysis) further supports. A 5-point Likert scale questionnaire (1 = Strongly Agree to 5 = Strongly Disagree) was employed as the measurement tool. To ensure variety and that only the merchant's Investor was targeted, the questionnaire was sent to the population, which was divided into 5 regions (the North, East, West, Central, and South of Raipur). This was done using convenience sampling and judgmental sampling techniques. 122 answers were received of which 22 were not considered due to zero variability and blankness in responses.

In order Confirmatory Factor Analysis (CFA) has been used to create a conceptual model utilizing the statistical software (SPSS-20 and AMOS-21) in order to confirm the model and validate the fitness of the model index by processing the acquired data.

6. DATA ANALYSIS AND INTERPRETATION

Data analysis was done in three steps. For the exploratory factor analysis, the factors were first produced using the principal component analysis approach with varimax rotation. An orthogonal rotation was selected for convenience. Through the use of traits and factors, consistency was achieved using the data. Factors with eigenvalues greater than one have been extracted for additional study. Reliability tests were run on each extracted factor of the multidimensional scale. The model's goodness of fit was assessed using both absolute and relative metrics. The root mean square error of approximation (RMSEA), the comparative fit in root mean square residual (SRMR), and the chi-square mean/degree of freedom (CMIN/df) were used to measure the quality of fit.

Table 3 The research analysis revealed the presence of four distinct factors. We meticulously examined the associated item numbers and their corresponding factor loadings. It's worth noting that factor loadings exceeding the 0.45 threshold were emphasized, indicative of their substantial and meaningful relationships. Moreover, this four-factor model successfully explained a significant 64 percent and more. The prominence of larger commonalities among these factors underscores a more pronounced degree of observed variance within the factor solution.

Table 3: Loading of the Factors

Factors	Rate of Return	Buying Intention	Financial Advisor	Friends & Family
FA1			0.694	
FA2			0.777	
FA3			0.869	
FA4			0.738	
FF1				0.643
FF2				0.702
FF3				0.738
FF4				0.811
IBI1		0.769		
IBI2		0.591		
IBI3		0.736		
IBI4		0.817		
IBI5		0.655		
R1	0.747			
R2	0.543			
R3	0.785			
R4	0.733			

6.2. Confirmatory Factor Analysis

Uni-dimensionality and construct validity were tested by confirmatory factoranalysis (CFA). The results were restricted to reliability and convergent validity on the basis of which the model was acceptable.

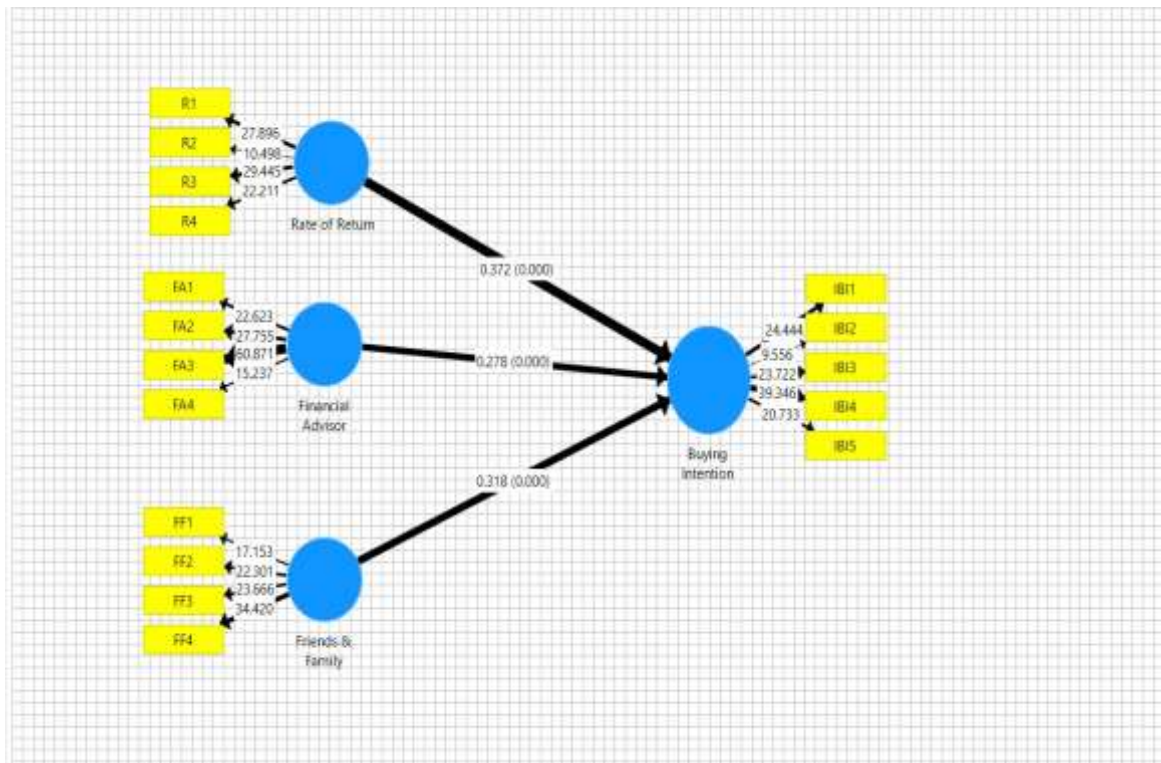


Table 5: Discriminant Validity

	Rate of Return	Buying Intention	Financial Advisor	Friends & Family
Rate of Return	0.708			
Buying Intention	0.690	0.718		
Financial Advisor	0.582	0.662	0.772	
Friends & Family	0.493	0.648	0.529	0.726

R Square

	R Square	R Square Adjusted
Buying Intention	0.647	0.644

The perceived benefits model was accepted based on overall of goodness of fit indicators. The model fit result is recorded in Table 6. According to Gaskin and Lim(2016), the NFI(0.591) shows acceptable model fitness the d_ ULS value (1.854) shows An excellent model of Fit, the SRMR value (0.110) shows the model is acceptable and the d_ G value (0.558) shows the model is Fit. The goodness of the fit indices suggests that the four-factor structures are well-established. Therefore, these factors can influence the retail investor's attitudes toward investment Mutual funds.

Table 6: Model Fit Indices

Measure	Saturated Model	Estimated Model	Interpretation
SRMR	0.110	0.110	Acceptable
d_ ULS	1.854	1.854	Excellent
d_ G	0.558	0.558	Acceptable
Chi-Square	1337.869	1337.869	Excellent
NFI	0.591	0.591	Acceptable

7. FINDINGS

The initial Confirmatory Factor Analysis (CFA) results demonstrated an excellently fitting model. The data's reliability was evident from the KMO and Bartlett's Test output (see Table 2), with a robust sampling accuracy of 0.659, exceeding the 0.6 threshold. The Exploratory Factor Analysis (EFA) findings (refer to Table 3) further revealed the identification of four distinct factors, contributing to a cumulative percentage of 64.65%

The model's dimensions were established, and its parameters were quantified using AMOS. The results of the Confirmatory Factor Analysis (CFA) indicated that the Composite Reliability (CR) values for all four accessibility factors were consistently below 0.7, indicating a high degree of correlation among these factors.

Furthermore, the findings related to discriminant validity were not in line with expectations, as they exhibited a higher level of correlation than anticipated. However, it's noteworthy that the model fit indices were deemed acceptable. Specifically, the d_ ULS ratio was reported as excellent, the Comparative Fit Index d_ ULS demonstrated moderate satisfaction, the Standardized Root Mean Square Residual SRMR was considered acceptable, and the Root Mean Square Error of Approximation NFI was also within the acceptable range.

8. CONCLUSION

This study's development aims to analyze and comprehend the attitudes of retail investors toward mutual funds. and the variables that influence individual investors' decisions regarding mutual funds. According to the literature review, return on investment (ROI) was identified as the most important element when determining an individual's investment decision, followed by advice from a financial advisor and recommendations from family and friends. According to the report, three main elements have an impact on how retail investors feel about mutual funds. The elements that the CFA

verified. Consumers should prioritize protecting their investment risk, according to financial consultants' recommendations. A person's decision to invest might also be influenced by friends and relatives. With these various factors in mind, it will be simpler for us to determine the gap for the study, and given the potential for further research, we have chosen to include additional factors such as retail investor behavior, salary person behavior, and whether gender plays a role in investors decision. We anticipate that the study's findings will assist the marketer in creating an acceptable investment plan for potential investors.

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