Investors' Behaviour Towards Investment Intention: A Study Of Investors Of Mutual Funds In Nagapattinam District

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Abstract: The paper aims to analyse the perception of investors and its impact on investment intention towards Mutual Funds in Nagapattinam District. Based on a sample of 150 investors in Nagapattinam District, descriptive and inferential analysis are carried out. Descriptive analytical tools like Frequency (Percentage) tables, Percentage analysis and Mean Rankings are used to analyse the investors and investment profile. Correlation and Multiple Regression Analysis are used to test the hypotheses. The research reveals that Investment Knowledge, Investment Experience, Perceived Risk and Self-efficacy have a significant impact on investors' intention to invest in the mutual funds. The study suggests that management/sellers/sponsors of Mutual Funds should give more attention on the investment features. They should study and understand the investors' perception towards their mutual funds and give attention to their needs and preferences. They also promote their brands through sales promotion, advertising, and other marketing activities. Investors would assess the perceived risk of the mutual funds from their purchase experience. As a result, investors' satisfaction would increase and also investment intention towards the mutual funds.

Keywords: Investors' Perception, Investment Knowledge, Investment Experience, Perceived Risk, Self-efficacy, Investment Intention, Mutual Funds.

I. INTRODUCTION

The Indian mutual fund industry had a quick growth as a result of country's infrastructural development, growth in personal financial assets, and increase in foreign participation. The industry withstands with growing risk appetite, increasing income, and growing awareness, mutual funds in India are becoming an ideal investment choice compared to safe investments such as Fixed Deposits and postal which give comparatively low returns. Some institutions hold fund awards to recognize strong performing funds and fund groups that have shown excellent yearly returns relative to their peers. The main purpose of investors engaged in investment is to both maximize their income and minimize their expenses. In the literature of finance, individuals are considered to behave rationally when pursuing their own benefits. In this context, individuals spare some of their income for expenditure and some for saving. Within this framework, individuals route their savings into investment.

People make important decisions in the day to day life under different circumstances. Among the decisions they made one of most important and perhaps most influential decisions on the individual's future prospect and prosperity is the investment decisions. The most crucial challenge faced by the investors is in the area of investment decisions. Probability of profit and loss in the investment process makes decision-making difficult for individuals. It is obvious that the investors gauge the risk return trade off before putting their money for various investments. In the financial sector globally, wide range of investment avenues are available for the investors, namely, real estate, bond market, gold market, money market and stock market. The investment in mutual funds is rated as one of the moderate return generating avenues available for investment. The peculiarity of the investment is that though one invests today the benefits of the investment span through a future period. The present study analyses the investors'

behaviour and its impact on investment intention towards mutual funds in Nagapattinam district.

II. MUTUAL FUND INDUSTRY PROFILE

The first introduction of a mutual fund in India occurred in 1963, when the Government of India launched Unit Trust of India (UTI). This market was made open to private players in 1993. The first private sector fund to operate in India was Kothari Pioneer, which later merged with Franklin Templeton. In 1996, SEBI, the regulator of mutual funds in India, formulated the Mutual Fund Regulation which is a comprehensive regulatory framework. The Indian mutual fund (MF) industry witnessed an addition of around 2.2 million new investors during 2014-15. The total number of investors stood at 4.17 crore at the end of the 12-month period in March 2015 as compared to 3.95 crore at the end of March 2014 registering a growth of 5.54 per cent. The growth in the number of investors in the Rs.12 trillion (USD 187.17 billion) sector is largely concentrated around the top five asset management companies (AMCs) – HDFC Mutual Fund, ICICI Prudential, Birla Sun Life, Reliance MF and UTI MF.

With close to a total of 44 fund houses in the country, the top five companies account for close to 80 per cent of the sector's assets under management (AUM). The large growth witnessed during the previous fiscal signal towards the upbeat domestic investor sentiment in the country. On the other hand, with the large investor base concentrating with the top five companies, it is evident that Indian consumers are only willing to take market risks with companies that have a strong brand equity and a positive past track record. (Source: www.ibef.org)

III. STATEMENT OF RESEARCH PROBLEM

The asset base of the Mutual Fund industry in the country is expected to grow faster at 18.6 percent per annum to cross Rs.20 trillion (USD 325 billion) by 2018 with an investor base of 10 crore accounts. With the total investor base still at a low level of 2 per cent out of the total domestic population, there are ample growth opportunities available in the domestic mutual fund industry. The various products that are transacted on stock markets have long been a favourite asset class among investors, as they provide many advantages, such as liquidity, low transaction costs and flexibility, when they are compared to many other classes of assets. Indeed, the percentage of people who invest in mutual funds has risen sharply in recent years.

Given their potentially wide range of abilities and perceptions, understanding retail investors' behavior and investment intentions may be more important than understanding institutional investors' behavior. Further, in the present unstable economic climate, the decisions individual investors have to make when they consider which investment products to purchase have become more complicated and difficult to analyse. Investment decisions can be complicated by a number of factors, including rapid changes in business conditions, which increase the need for more information and

analysis (Clark-Murphy and Soutar 2004). Retail investors often attempt to overcome their limitations in knowledge and expertise by relying on expert advice from financial consultants, as well as on their past investment experience with specific products (Harrison 2003).

In an environment in which a growing number of people are investing a part of their income and savings in the stock market, an understanding of their investment thought processes is becoming increasingly important. The complexity of investment analysis and the risks involved in stock market investments make the examination of these factors relevant, important and useful. The awareness of the behavioural factors that influence people's investment intentions may also help prevent the unnecessary loss of small investors' personal wealth, which led to the decision to undertake the present study.

Marketing discipline has focused on a wide range of behaviours of which investment behavior may be considered a subset. The broader consumer behaviour literature has identified many factors that have not or have rarely been considered in the finance literature, such as people's knowledge, experience and self-efficacy. These factors may be especially important and relevant for retail investors to make successful investment decisions. This study is an attempt to assess the impact of investors' behaviour on investment intention towards mutual funds in Nagapattinam district.

IV. OBJECTIVES OF THE STUDY

The Objectives refer to the questions to be answered through the study. They indicate what researcher trying to get from the study. The objectives of this study is to analyse the investment pattern of Investors and identify important factors for selecting the investment seller/sponsor for mutual funds. The study also aims to analyse the factors influencing investor behaviour like Investment Knowledge, Investment Experience, Investment Features and Self-efficacy and their impacts on investment intention towards Mutual Funds in Nagapattinam district.

V. THEORETICAL FRAMEWORK

INVESTMENT

Investment is defined by Graham (2008) as an action through a thorough analysis, promises safety of principal and providing adequate profits, while an act that does not meet these requirements are speculative action. Investments can be defined as an activity to put some funds in one or more of an asset for a certain period with the hope to earn income or increase in value of investments.

MUTUAL FUNDS

Mutual fund is the pool of the money, based on the trust who invests the savings of a number of investors who shares a common financial goal, like the capital appreciation and dividend earning. The money thus collect is then invested in

capital market instruments such as shares, debenture, and foreign market. Investors invest money and get the units as per the unit value which we called as NAV (net assets value). Mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in diversified portfolio management, good research team, professionally managed Indian stock as well as the foreign market, the main aim of the fund manager is to taking the scrip that have under value and future will rising, then fund manager sell out the stock. Fund manager concentration on risk – return trade off, where minimize the risk and maximize the return through diversification of the portfolio.

INVESTOR BEHAVIOUR

Theory intention to the behaviour (Fishbein & Ajzen, 1975) and expressed the intention to base a person's behaviour is influenced by two factors, namely the attitude of behaviour and subjective norm. Investor behaviour in making investment decisions are influenced by various considerations and decisions can be caused by time, knowledge, memory and attention are limited so that the capacity to process information is limited. Investment is the placement of the funds at this time in hopes of making a profit in the future (Halim, 2005). So that in making an investment decision, investors need information that are important factors as the basis for determining the investment option. From the information available, then form a decision-making model in the form of investment appraisal criteria to allow investors to choose the best investment among investment alternatives available (Pranoto, 2010).

Investment behaviors are defined as how the investors judge, predict, analyze and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is "Investment Behavior" (Slovic, 1972; Alfredo and Vicente, 2010). In this paper this definition is adopted.

INVESTMENT KNOWLEDGE

Investment Knowledge in this point refers to the information, facts, assumptions, news reports, rumors and other materials that the investors get to know about to enable them to make assessments on the relevant investments. Alba and Hutchinson (1987) suggested product knowledge is not a unidimensional construct, as it includes two major components, which they termed expertise and familiarity.

INVESTMENT EXPERIENCE

Investment experience is the experience of the investors gained during the past years with respect to the performance of the investments. Research by Karrh (2004) confirms that the inexperienced investors often rely on companies' announcements of a specific product or marketing, news reports and the advertising decisions to gather information and experiences. Perception and past experience are vital where people tend to make purchase decision driven by their past experience.

PERCEIVED RISK

Perceived risk plays an important role in consumer decision-making (Conchar et al. 2004). Perceived risk has been used as an explanatory variable in consumer decision-making models (Srinivasan and Ratchford 1991). Therefore, the better we understand what causes people to perceive risk when they invest, the better we will be able to understand their behaviour and intentions. It has also been shown that the higher the level of uncertainty, as well as the chance of a negative consequence of a decision, will result in an individual developing a higher level of perceived risk.

SELF EFFICACY

Self-efficacy refers to a person's ability to exercise control over his or her actions (Bandura 1997). High self-efficacy people perceive themselves as being able to analyse, process and make accurate inferences from complex information and are able to assess the uncertainty present in a particular situation much better than other people (Kruger and Dickson 1994). As self-efficacy can affect people's risk perceptions, it is also believed that it is likely to affect investment intentions indirectly.

INVESTMENT INTENTION

The willingness of an investor to invest in a certain investment is known as Investment Intention. It means an investor prefers to invest in an investment because he/she finds that he/she wants a particular investment. In other words, investment intention means investor will invest in an investment once again after she or he evaluates the investment and finds out that the investment worth investing. While investors select one particular investment, the final decision on accepting an investment to invest or rejecting it depends on investors' intention.

SCOPE OF THE STUDY

Scope of study is a general outline of what the study will cover. The focal point of the study is to analyze the factors that influencing investors' behaviour like Investment Knowledge, Investment Experience, Investment Features and Self-efficacy towards mutual funds investment in Nagapattinam district. The analysis, findings, suggestions and conclusion of the present study conducted by the researcher will be of immense use for the marketers/sellers of Mutual Funds in India as well as other parts of the world and this study is also more useful for future researcher with similar studies in this nature. This study is limited to the perception of investors investing in mutual funds in Nagapattinam district. The scope of study is confined within Nagapattinam district. This study is conducted to suggest some measures to improve the present marketing environment of mutual funds for the purpose of increasing the investors positive perception, attitude and satisfaction and improving the investment intention of investors towards the mutual funds in Nagapattinam district.

VI. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the problem. The methodology followed for conducting the study includes the specification of research design, sample design, questionnaire design, data collection and statistical tools used for analyzing the collected data.

Research type	Descriptive and Exploratory Research
Research Approach	Qualitative and Quantitative Approach
Population (Universe) & Sampling Unit	Investors of Mutual Funds in Nagapattinam District
Sample size	150 Investors
Sampling Area	Nagapattinam District
Sampling Method	Probability sampling – Random sampling
Research Method	Survey
Data type	Primary (Majority of the data) and Secondary Data
Sources of Primary Data	Questionnaire, Personal Interview and Observation techniques
Sources of Secondary Data	Newspapers, Journals, Magazines, Reports, books, research articles, internet, etc.
Research instrument	Structured Questionnaire
Period of data collection	March 2016 to April 2016
Software used for analysis	SPSS (Version 20)

Table 1: Research Methodology

VII. DATA ANALYSIS AND DISCUSSION

The data, after collection, has to be processed and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan. Analysis has been done through various statistical tools to understand the outcomes with reference to the objectives and hypothesis. In order to analyze and give the proper interpretation of data various statistical tools (descriptive as well as inferential) are used.

A. DEMOGRAPHIC PROFILE

(Sample Size = 150)

VARIABLES	OPTIONS	FREQUENCIES	(%)
Gender	Male	96	64.00
	Female	54	36.00
Age	18 – 30 Years	Open ended Question	34.00
	31 - 50 Years		52.00
	51 - 70 Years	(Scale Variable)	14.00
Marital Status	Married	88	57.00
	Unmarried	62	43.00
Qualification	School Level	30	20.00

Source: Primary Data
Table 2: Demographic Profile

INTERPRETATION

From the above table, it is inferred that Male respondents (96, 64%) are more than female respondents. In terms of Age of the respondents, majority of them belongs to the age group of 31 – 50 Years (52%). Majority of the respondents are married (88, 57%). 53% of them are UG/PGs. In terms of Occupation, 49% (74) of the respondents are salaried people followed by Businessman with 22% (33). With respect to the Monthly Income, 58% of them have income upto Rs.1,00,000.

B. INVESTMENT PROFILE

(Sample Size = 150)

VARIABLES	OPTIONS	FREQUENCIES	(%)
Kind of Investment preferred	High Risk – High Return	36	24.00
	Normal Risk – Normal Return	64	43.00
	Low Risk – Low Return	30	20.00
	No Risk Investment	20	13.00
Type of Investor	Adventurous Investor	28	19.00
	Cautious Investor	52	35.00
	Balanced Investor	38	25.00
	Prudent Investor	32	21.00
Expected Rate of Return on Investment	Upto 25%	52	35.00
	26 – 50 %	68	45.00
	51 – 75%	12	08.00
	Above 75%	18	12.00
Amount of Investment	Upto Rs.50,000 (Small Investor)	72	48.00
	Rs.50,001 – Rs.1,00,000 (Med. Investor)	48	32.00
	Above Rs.1,00,000 (Large Investor)	30	20.00
Investment Period	Upto 1 Year (Short term)	54	36.00
	2 – 5 Years (Medium term)	68	45.00
	Above 5 Years (Long term)	28	19.00
Mutual Fund Option	Equity Fund	34	23.00
	Debt Fund	46	31.00
	Balanced Fund	52	35.00

Liquid Fund	**12**	**08.00**
Interval Fund	**06**	**04.00**

Source: Primary Data

Table 2: Investment Profile

INTERPRETATION

From the above table, it is inferred that 43% (64) of the Investors preferred Normal Risk – Normal Return Investment. Majority of them (35%) are cautious investors. In case of the rate of return expected on the investment, majority of the investors (45%) expected 26% - 50%. Majority of the investors (48%) are Small Investors (Amount of investment upto Rs.50,000). Investment period of the majority of the investors (45%) is 2 – 5 years (Medium Term). Majority of them (35%) opted Balanced Fund, a scheme of mutual fund.

C. FACTORS CONSIDERED FOR CHOOSING THE SELLER /SPONSOR OF INVESTMENT

VARIABLES	MEAN	RANK
Professionalism	4.22	THIRD
Service Charges	3.56	
Experience	4.02	
Customer Service	3.89	
Rating by research Agency	3.92	
Credibility	4.44	SECOND
Volume of Transactions	3.78	
Past Performance	4.52	FIRST
Reputation/Goodwill	3.56	
Brand Name	3.78	

Table 3

INTERPRETATION

From the above table, it is inferred that Past Performance (M = 4.52), Credibility (M = 4.44) and Professionalism (M = 4.22) are the top three factors considered by the investors for choosing the seller/sponsor for their investments. It is also inferred that the factors are highly perceived by the investors since all Mean value of the variables are above 3.5 (70%) out of 5.

VIII. CORRELATION ANALYSIS

H0: THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN THE INVESTORS' BEHAVIOUR AND INVESTMENT INTENTION TOWARDS MUTUAL FUNDS

A Pearson product-moment correlation was run to determine the relationship between the Investors' Behaviour and Investment intention towards Mutual Funds.

VARIABLES	N	'r' VALUE	P - VALUE	RELATIONSHIP	RESULT REMARKS SIGNIFICANT	
Investment Knowledge - Investment Intention	150	0.534**	0.001	Positive	Significant	REJECTED
Investment Experience - Investment Intention	150	0.721**	0.001	Positive	Significant	REJECTED
Perceived Risk - Investment Intention	150	0.636**	0.001	Positive	Significant	REJECTED
Self-Efficacy - Investment Intention	150	0.519**	0.001	Positive	Significant	REJECTED

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4: Investors' Behaviour – Investment Intention

INTERPRETATION

As the P value is lesser than Sig. Value (0.01) in all the above cases, the Null Hypotheses are rejected. There are high positive correlations between the Investors' Behaviour and Investment intention towards Mutual Funds.

Out of four variables, the influence of Investment Experience (r = 0.721) and Perceived Risk (r = 0.636) towards Mutual Funds are more than other variables. It is inferred that the Investors' Behaviour have strong influence on Investment Intention towards Mutual Funds. Hence, there is a significant relationship between the Investors' Behaviour and Investment intention towards Mutual Funds.

MULTIPLE REGRESSION

Regression is the determination of statistical relationship between two or more variables. In simple regression two variables are used. Multiple regression analysis examines the strength of the linear relationship between a set of independent variables and a single dependent variable (measured at the interval/ratio level). Multiple Regression was conducted to determine the best linear combination of Investment Knowledge, Investment Experience, Perceived Risk and Self-Efficacy for predicting Investment Intention towards mutual funds.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.795	.576		1.376	.180
	Investment Knowledge	.337	.021	.459	9.427	.000
	Investment Experience	.434	.034	.626	12.959	.000
	Perceived Risk	.386	.026	.555	10.264	.000
	Self-Efficacy	.144	.023	.380	7.471	.001

a. Dependent Variable: INVESTMENT INTENTION

Table 4: Coefficients[a]

Preliminary analyses were conducted to ensure no violation of the assumptions of normality, linearity, multi-collinearity and homoscedasticity. The Means, Standard Deviations, and inter-correlations can be found. This combination of all four variables significantly predicts the dependent variable i.e., Investment Intention, $F_{(3, 695)} = 456.642$, $p = .000$ which is lesser than .001 (Sig. Value 2-tailed) and Adjusted R Square = 0.725.

Out of four independent variables, Investment Experience (0.626) is the strongest influencing factor which predicting dependent variable. The beta weights suggest that the Investment Experience only contribute most (0.626 or 63%) to predict Investment Intention. From the unstandardized coefficient, it is found that the one unit increase in the

Investment Experience would increase the Investment Intention by 0.434 units. Perceived Risk (0.555 or 56%) is the second most influencing factor that predicting investment Intention.

IX. LIMITATIONS OF THE STUDY

The sample will be confined to 150 investors of Mutual Funds. So this study cannot be regarded as "full -proof" one. This study is confined to the selected investors invested in Mutual Funds in Nagapattinam district only. Hence, the results of this study cannot be generalized to the other parts of the state as well as other parts of India. Therefore, for academics and researchers, further quantitative research is needed to identify the determinants of investors' perception using cross-district/state and cross-industry applications to predict purchase behavior in various contexts.

X. CONCLUSION

Mutual Fund is the most suitable investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at relatively low cost. From the results, it is concluded that the Investors Behaviour towards Mutual Funds is above the average level. The impact of Investors' Behaviour on Investment Intention towards Mutual Funds is also above the average level.

Investors' Behaviour like Investment Knowledge, Investment Experience, Perceived Risk and Self-efficacy predicts Investment Intention significantly. Out of four variables, Investment Experience and Perceived Risk are strongly influence the Investment Intention towards Mutual Funds. The empirical data and the statistical tests in this study support the existence of a direct causal relationship between the Investors' Behaviour and investment intention.

Observing the trend in the growth of Mutual Funds, the Mutual Fund Investments are going to give tough competition to the other financial investments if and only if the seller/sponsor commits to the returns and growth of the mutual funds. Mutual funds are good source of returns for majority of households and it is particularly useful for the people who are at the age of retirement. However, average investors are still restricting their choices to conventional options like gold and fixed deposits when the market is flooded with countless investment opportunities, with mutual funds. Hence, the management of Mutual Funds should study the behavior of investors periodically and take the steps to increase the satisfaction of investors towards their investments.

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