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Investors Attitude, Awareness And Problems Towards Mutual Funds In Chennai City

(With Special Reference to IT Company Employees)

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Abstract

A mutual fund is a fund managed by an asset management company with the financial objectives of generating growth. These asset management companies collect money from investors and invest in different stocks, bonds and other financial instruments in a diversified manner. Before investing they perform a thorough research and detailed analysis of market trends of stock and bond prices. The aim of savings and investment by any IT company employee is to maximize the return from their savings and investment with minimum risk. The study aims to make an analysis of the factors influencing behavior of IT company employees through the data collection from the sources of information on the various schemes of savings, their income level of savings. Random sampling method was adopted in the current study as there is no uniformity in the population distribution. The total number of sample respondents is restricted to 384 as per Krejice Morgan's table. The select IT company employees in Chennai had been taken for the study; the tools such as Reliability analysis, Factor analysis and Regression analysis have been used to analyze the data. Hence, it is concluded that the way forward for the next couple of years for the mutual fund industry would be influenced hugely by the journey undertaken till this point of time and the changing the attitude, awareness and problems of investors towards mutual funds.

Keywords: *Investors, IT company employees, attitude, awareness, problems, Factor analysis and SEM Model.*

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Introduction

Investing in various types of assets is an interesting activity that attracts people from all walks of life with respect to their occupation, economic status, education and family background. When a person has more money than he/she requires for current consumption, he/she would be coined as potential investor. The investor who is having extra cash could invest it in securities or in any other assets like gold or real estate or could simply deposit it in his/her bank account. At present, a wide variety of investment avenues are open to the investors to suit their needs and nature. Knowledge about the mutual funds enables the investors to choose investment intelligently. The required level of return and the risk tolerance decide the choice of the investor.

Review of Literature

Sreelatha Reddy and Lalitha Narayanan (2015)[1] in their paper studied the awareness and preferences of working women as investors for different investment options available to them. The main objective of the study is to found out the difference in perception of investors in the decision of investing on the basis of risk and return. The 246 respondents were chosen by the convenient sampling and the data were analyzed using chi-square test, ANOVA, factor analysis, regression analysis, etc., the study observed that among all the investment avenues, investments in Provident fund followed by Post office MIS are considered to be the safest and most preferred by the respondents.

Neha S Shukla (2016)[2] the study aims to measure the investment pattern of individuals had been made about investors preference towards investment avenues and the study focused on the salaried personnel only. The descriptive research design was used by the researcher, both primary and secondary data sources were used. For the purpose of study total of 100 respondents had been studied with the convenience sampling method. It concluded that different respondents invest in different avenues, it was evident that they tend to invest much in fixed deposits, post office schemes, gold and silver.

Ankit Joel and Rajendra K.Khatik (2017)[3] they studied the investors' awareness and preference towards mutual funds as an investment option. The study found that the investors are to save and beat inflation. Majority of them also want to save tax and increase their wealth. Balance funds and tax relief schemes are most preferred schemes among the respondents. Hence,

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it is suggested that companies and Government should come forward in getting investors more literate and train advisors in a way so to build more confidence among investors for taking initiative to invest in Mutual Funds.

M.Jegadeeshwaran & Mahesh Kumar.T (2017)[4] in their study they explored the growth and performance of Mutual Funds with its different schemes and evaluation of Mutual Fund investments with the help of analyzing the data such as Assets Under Management, Net Resources mobilized by Mutual Funds etc.., The tools used such as CAGR, ANOVA, t-test and Regression. They found out the relationship between the UTI and other Mutual Fund Institutions. Hence, the study concluded that the performance in the Mutual Funds of AUM attaining positive growth and total resources mobilized by Bank sponsored and FI sponsored having such impact in the growth of Indian Mutual Fund Industry.

Mahesh Kumar.T and M.Jegadeeshwaran (2018)[5] their study aimed to make an analysis of the factors influencing behavior of IT company employees through the data collection from the sources of information on the various schemes of savings, their income level of savings. The select IT company employees in Bengaluru had been taken for the study; the tools such as Reliability analysis, Factor analysis and Regression analysis have been used to analyze the data. They found that the factors such as Return and Tax Savings have positive relationship with Attitude. Tax Savings has positive impact on Attitude which means the tax savings cause impact in Attitude. Return has minimum relationship with Attitude which implies there is low response between the changes in the Mutual funds having diversified portfolio gives better returns and Mutual Funds give higher return than other investments.

Statement of the Problem

In the dynamic and competitive environment, marketing of financial services has become challenging. It is the responsibility of the persons involved in marketing of financial services to understand the factors influencing behavior of Information Technology sector employees in order to be successful in their affairs. Though a variety of investment options available, majority of them still depend on the banking to invest their income using the surplus liquidity on the banking system, banks have steadily reduced the interest payable on deposits. Hence it would be more useful to study the mutual funds for getting better returns on one's hard-earned savings from the organized system. So, the present study is such an attempt has been made by the

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researcher to know, how far Information Technology employees attitude, awareness and problems towards mutual funds.

Objectives of the Study

1. To analyze the reasons for behavior and factors influencing behavior
2. To develop a regression model for escalating level of awareness, attitude and problems of investors towards mutual funds.

Methodology of the Study

Collection of data

The primary data of this study were collected from the investors of IT Company employees in Chennai City with the help of well structured questionnaire. This study is developed to understand the investment behavior of the respondents towards mutual funds.

Sampling method

Purposive sampling method was adopted to analyze the behavior of investors towards mutual funds in Chennai city. By applying Krejice Morgan's sample determination method, 384 respondents were selected. 32 investors from 12 mutual fund companies make the total sample size of 384.

Tools used for analysis

The primary data have been analyzed by using the statistical tools like Correlation, Regression analysis and Structural Equation Modeling.

Analysis and Interpretation

Correlations matrix for the Awareness, Attitude, Behavior and Problems

Table 1 Correlations

	Attitude	Awareness	Behavior	Problems
Attitude	1			
Awareness	.049	1		
Behavior	.397	.324	1	
Problems	.698	.441	.705	1

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Regression Analysis on the Investors' Attitude and Awareness

Table 2

Model summary of Investors' Attitude and Awareness

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.490[a]	.201	.191	.51184	2.246

a. Predictors: (Constant), Awareness

b. Dependent Variable: Attitude

The above table 2 summarizes the model summary for impact of Awareness on Attitude. When Attitude is a dependent variable, R = 0.490 which means that there is a strong relationship. R-square is 0.201 indicating that 20.1 per cent of performance variation is accounted for the combined linear impact of independent variables. Adjusted R square value is 0.191, implying that the model has accounted for 19.1 per cent of the variance in the criterion variable. The value of Durbin-Watson statistic is 2.246 representing that the model is suffering from auto-correlation.

$H_0$1: There is no significant effect of Investors' Awareness on Attitude.

Table 3

ANOVA of Investors' Awareness on Attitude

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.242	1	.242	.925	.337[b]
	Residual	100.075	382	.262		
	Total	100.318	383			

a. Dependent Variable: Attitude

b. Predictors: (Constant), Awareness

The above table 3 explains the ANOVA for Attitude and Awareness. The significant value for the above model is greater than 0.05 i.e., .337 which considers Attitude as dependent variable and Awareness as independent variables. Hence, the null Hypothesis is accepted. It is concluded that there is no significant effect of Awareness on Attitude.

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Table 4

Coefficients of Investors' Awareness on Attitude

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.375	.144		16.528	.000
	Awareness	.048	.050	.049	.962	.337

a. Dependent Variable: Attitude

The above table 4 shows the coefficients for impact of Awareness on Attitude. It implies that Awareness is not significant at 5 per cent significance level. Beta value shows that Awareness has positive relationship with Attitude. It has positive impact on Attitude which means the Awareness cause impact in Attitude.

Structural Equation Modeling

Structural Equation Modeling (SEM) is a family of statistical models that seek to explain the relationship among multiple variables. It examines the structure of inter-relationships expressed in a series of equations, similar to a series of multiple regression equations. These equations depict all of the relationships among the constructs (The Dependent and Independent Variables) involved in the analysis. (Hair B. B., 2013).

Outer Model Assessment (Measurement Model)

The assessment of the measurement model focus on the reliability and validity of each latent construct for the reflective and formative constructs respectively. The reflective model evaluation, the three constructs namely, Awareness, Attitude and Problems are assessed by their indicator reliability, internal consistency, convergent validity, discriminant validity (Hair B. B., 2013). The formative model evaluation, construct as Behavior is assessed with its multicollinearity (VIF indices), outer weights, t statistics.

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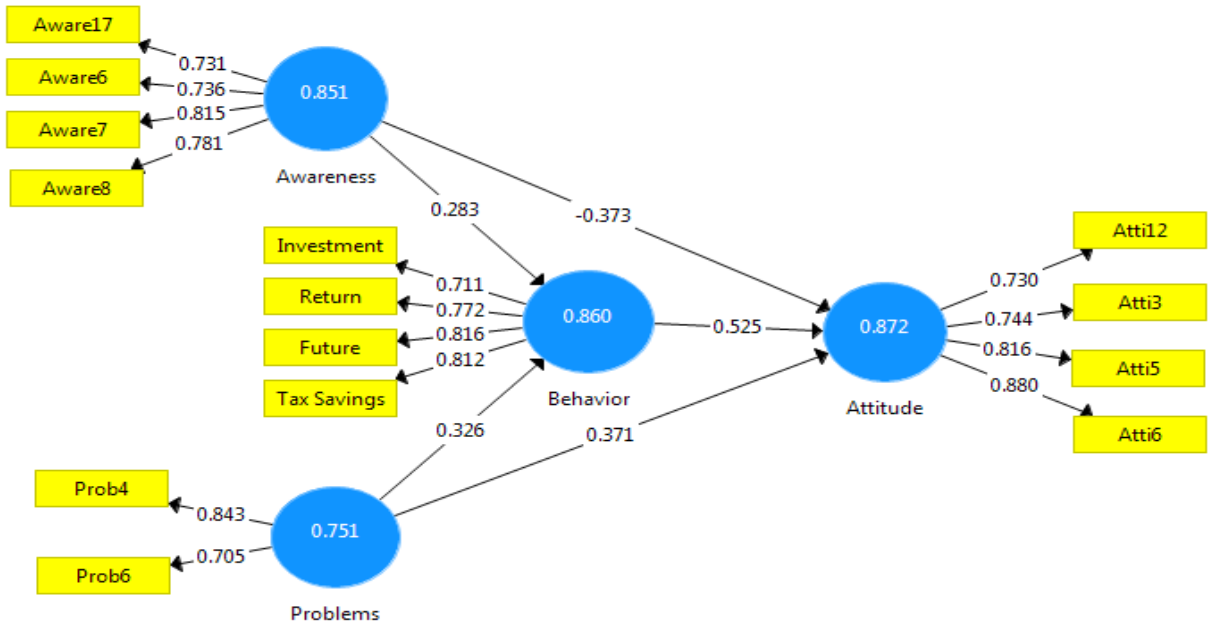
Fig 1 - The Measurement Model



Outer Model Assessment for Reflective Constructs

The reflective constructs of study namely, Awareness, Problems and Attitude are assessed.

Table 5 Measurement of Reflective Constructs

Test		**Indicator Reliability**	**Convergent Validity**	**Internal Consistency Reliability**	**Reliability**	**Discriminant Validity**
Construct		Factor loading	AVE	Composite Reliability (R^2)	Cornbach's Alpha	Sq.Root of AVE
Awareness	Aware 17	0.731	0.851	0.886	0.742	0.922
	Aware 6	0.736				
	Aware 7	0.815				
	Aware 8	0.781				
Problems	Prob 4	0.843	0.751	0.779	0.713	0.866
	Prob 6	0.705				
Attitude	Atti 2	0.730	0.872	0.870	0.775	0.932
	Atti 3	0.744				
	Atti 5	0.816				
	Atti 6	0.880				

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Table 6

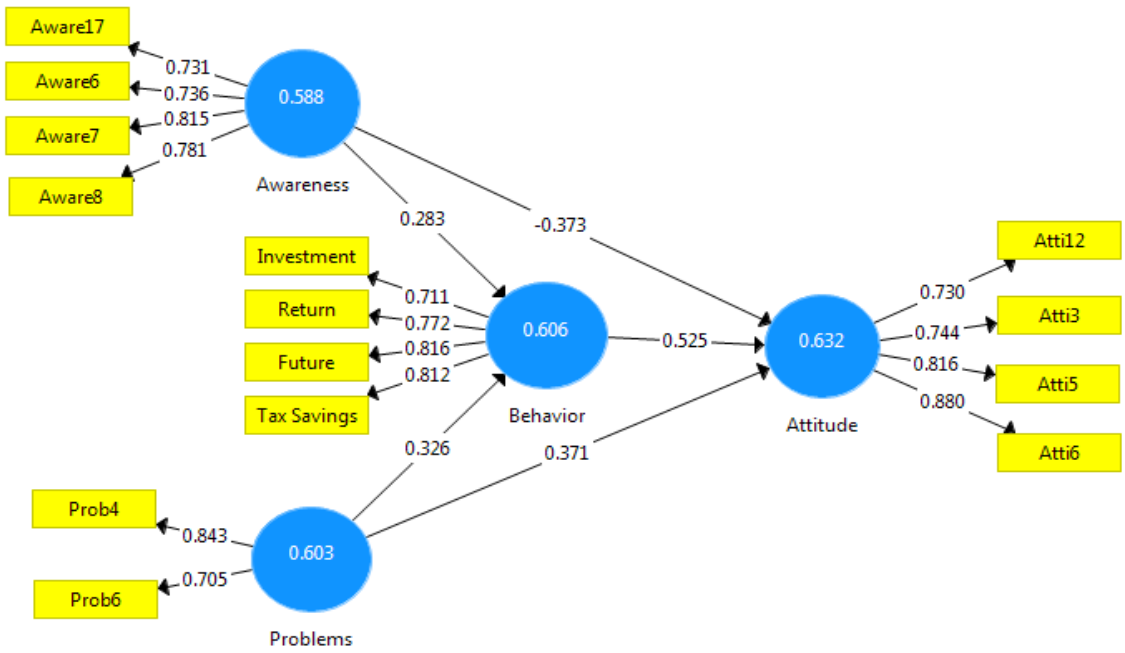
Outer Model Measures of Reflective Constructs

Discriminant Validity	Sqrt of AVE should be > Correlations of latent variables			
	Attitude	Awareness	Problems	Sq.Root of AVE
Attitude	1			0.922
Awareness	0.851	1		0.866
Problems	0.751	0.872	1	0.932

The inner model - significance test of path coefficients

The inner model is evaluated by performing bootstrapping, blindfolding and calculation to assess the path significance, R square, effect size or f^2 and predictive relevance of $Q^{2.}$ The bootstrapping of 1500 sub-samples is performed to assess the significance testing result of the structural model. The level of significance is kept at 5 % and hence the relevant t-statistics is 1.96.

Fig 2 - The Inner Model



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Interpretation

Reporting the inner model:

- **Adjusted R-Square:** The adjusted R^2 explains the coefficient of determinant and the variance in predicting the overall model. (Ghozali, 2013) (Hair et al, 2013), (W.W.Chin, 2010) suggest that 0.25 (weak), 0.50 (Moderate) and 0.75 (strong) indices. In the current model, the adjusted R-square is 0.632 for Attitude. This means, awareness, problems and factors influencing behavior together explain upto 63% (with higher moderate) of variance of attitude.
- **Effect Size f^2:** Effect size examines how large is the influence of exogenous variable on the endogenous variable. (Cohen, 1992) Suggest 0.02 (weak), 0.15 (moderate) and 0.35 (strong) indices. In the model developed, the f^2 effect size for Attitude to Behavior (0.111- slightly moderate), Behavior to Investment (0.198 - Medium), Behavior to Tax savings (0.112 - small). Effect size for behavior (being formative construct) is not to be calculated. (Hair et al, 2014)

Discussion at the model

These SEM results are simple to understand. Once an individual has a positive attitude towards investing in mutual funds, he/she will also be more willing to invest mutual funds in general. Thus, probability to actually intending or planning to invest mutual funds will be higher. Same effect applies for his social environment, since especially family and friends have an impact on his thoughts and behaviour. Here, awareness plays an important role among the investors. Once family and friends inherit and communicate a rather negative or skeptical view towards mutual funds, the individual will probably also be more critical and might adjust his willingness or intention to invest in mutual funds.

Findings

Findings based on Correlation Analysis

- The strength of association between the Behavior and Problems is very high i.e. 0.705 while compared to the other variables. Followed by the associations with Attitude and Problems is .698.

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- Hence, it is concluded that there is a high positive correlation between behavior and problems & attitude and problems.

Findings based on Regression Analysis

- It implies that Awareness is not significant at 5 per cent significance level. Beta value shows that Awareness has positive relationship with Attitude. It has positive impact on Attitude which means the Awareness cause impact in Attitude.

Findings based on Model Building

- **Indicator Reliability:** It is evident that the individual factor loadings for the three reflective constructs awareness, problems and attitude are greater than 0.60 confirming the indicator reliability of the factors.
- **Internal consistency:** It is evident that internal consistency of the three reflective constructs awareness (0.886), problems (0.779) and attitude (0.870) confirming the good internal consistency. The reliability of the measures by calculating the Cronbach's alpha is also found to be greater than the prescribed limits with awareness (0.742), problems (0.713) and attitude (0.775).
- **Convergent Validity:** It is evident from the table that the AVE scores of awareness (0.851), problems (0.751) and attitude (0.872) are greater than the prescribed limits confirming the good convergent validity and explaining that the items converged well on their respective constructs.
- **Discriminant Validity:** It is evident that the square root of AVE for awareness (0.922), problems (0.866) and attitude (0.932) are greater than the inter-correlation loadings of the three constructs confirming the constructs differ well from each other.

Suggestions

1. Mutual fund companies should avail technology disruption to the investors. Because, it is going to play a major role in increasing awareness enabling distribution and simplifying the investment process.
2. The universities in India should encompass modules on mutual funds, and other financial products along with concepts like risk management, asset allocation and portfolio

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diversification in the syllabus of commerce courses across all colleges, as a mandatory course from graduation level, followed by an examination. This will lead to mass education on mutual fund concept among the new generation.

Conclusion

Presently, mutual fund investing is catching up in the smaller cities, as SEBI is actively taking steps to increase distribution reach in those areas. India's top 15 cities account for around 80 per cent of the industry's assets. This means rest of India is lacking access to mutual funds and other financial products. One of the areas for development is building investor awareness and education. Financialization of savings post demonetization has resulted in the markets attracting fresh inflows: "we think the IMFI is at the cusp of breakout growth. Increasing investor awareness, increasing shift from real assets to financial assets and pro - active regulations should bode well for growth".

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