An Empirical Study on Factors Influencing Mutual Fund Investors Investment Decision as per Mutual Fund Investors and Distributors Perspective

Shailaja Yadav*
Dr. Nirmala Joshi**

ABSTRACT

The transformation in the financial sector and many evolution in Indian money and capital market made mutual funds an important gateway for the small investors. "Mutual Funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. The Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. This paper makes an attempt to identify factors affecting perception of investors as well as distributors while taking mutual funds investment decision. It will help the mutual fund companies to create new and innovative product according to the orientation of investors. The research aims at finding out the factors affecting investment decision on mutual funds according to mutual fund investors as well as distributors perspective and its preference over retail investors. The findings will help mutual fund companies to identify the areas required for improvement and can also improve their marketing strategies. It will help the MF companies to create new and innovative product according to the orientation of investors."

Keywords : Speculation, Asset Management Company, Bullish Market, Bearish Market, Expense Ratio of Mutual Funds, Withdrawal Facility, Innovation in Fund Management, Perception of investors and distributors

INTRODUCTION

The Indian mutual fund industry has come a long way, being almost non-existent before 1960. "The mutual fund is a proficiently managed type of combined investment scheme that pools money from several investors invests it in stocks of different sectors, government and corporate bonds, government securities, fixed income securities, indices, various short-term money market investments opportunities such as treasury bills, certificate of deposits etc. and other securities. The mutual fund manager is investing money into various investment avenues on behalf of investors. The fund manager is taking an investment decision as per the investment objective of a fund. With the minimum amount of an investment, mutual fund investors are getting good exposure of the market and this is the greatest thing for small investors. Due to the plethora of investment avenues the fund risk is getting minimized. The mutual fund industry is growing with giant strides. The study is an attempt to examine various factors influencing mutual fund investment decisions according to mutual fund investors as well as distributors perspective."

REVIEW OF LITERATURE

"Rajeswari, T.R., RamaMoorthy, V.E. in the study "An Empirical Study on Factors Influencing the Mutual Fund/Scheme Selection by Retail Investors" (2001)1 evaluated the influencing factors of scheme selection. Researchers collected data for this study from 350 mutual fund investors from 10 urban and semi urban centers. The study reported that a successful mutual fund requires complete understanding of the stock market as well as the psyche of the small investors. Investor prefers growth schemes followed by income and balanced scheme. The majority of investors prefers open-ended schemes, i.e.

*Research Scholar, Faculty of Management, Pacific University, Udaipur
**Research and MET SEVA Head, MET - IOM, Mumbai

85% of the investor open ended schemes over close-ended schemes i.e. 15%. The study concluded that the investors prefer safety over good returns or any factor. Continuous product development and introduction of innovative products is a must to attract investors".

"Parashar, N. in the study "Factors affecting perception of investors towards Mutual Funds" (2009)2 analyzed the investors' perception towards a mutual fund using various statistical tools. In this research author finds out that an investor gives greater significance to monetary factors like entry/exit charges, liquidity of fund and brand name. The second key factor is "investor's expectations" where people expect better services. The Third imperative factor is scheme's NAV and agency's network. The fourth vital factor is the promotional measures while the risk/return is the least important factor while investing".

"Kumar, V., Bansal, P. in the research "A Study on Investors' Behavior towards Mutual Funds in Rohtak, Haryana" (2014)3 analyzed the factors such as demographics, investors' knowledge, risk appetite, etc. The factors considered are age, income, occupation, etc. and the researcher also considered various factors like risk appetite of investors, investor's knowledge regarding the schemes and whether the investors are aware about the various risk factors. The results have shown that mutual funds to be proved as a much better style of investment as it gives standard returns and its less riskier. The researcher has also analyzed that the investors' involvement plays a vital role; they should also carry their personal research rather than only relying on the financial advisor. This would help them to safeguard the interest and help in their capital appreciation".

"Carhart, M. in the research "On Persistence in Mutual Fund Performance" (2012)4 tested the performance of mutual funds with respect to expense ratios, portfolio turnover, and load fees. The findings of this study enlightened that the expense ratios, portfolio turnover, and load fees are significantly and negatively related to performance. Expense ratios appear to reduce performance a little more than one to one. Turnover reduces performance about 95 basis points for every buy and sells transaction. As per this study load fund considerably underperform no load funds. The findings of this study depict that the average load fund underperforms the average no load fund by approximately 80 basis points per year. The confirmation of this article recommends

three important rules of thumb for wealth maximizing mutual fund investors first, avoid funds with persistently poor performance; second, funds with high returns last year have higher-than-average expected returns next year, but not in years thereafter and the last, the investment costs of expense ratios, transaction costs, and load fees all have a direct, negative impact on performance".

"Padmaja, R. in the research "A Study Of Consumer Behavior Towards Mutual Funds With Special Reference To ICICI Prudential Mutual Funds, Vijayawada" (2013)5 categorized the preferences of investors based on their age, occupation, their interest and purpose to invest in mutual fund. The research observed that the main objective of people to invest is for savings followed by high returns, tax benefit, saving, wealth creation and at last risk diversification. In this study, 65% of the people prefer investment in an equity fund, 11% in debt & remaining 24% prefer to in balanced funds. It is observed from the study that the majority of the respondents preferred to invest in three year period mutual funds. The study shows that the maximum mutual fund investors are risk takers. The researcher has collected the demographic data from the respondents and as per the demographics people in the age group of 20-30 years invest more in mutual fund and equity markets and the share of mutual fund shows decreasing trend as age increases. Business class and professionals have a high risk appetite and would like to invest in equity fund and balanced funds. Service class, business and professionals like to invest in Tax Savings Plans while retired class is less likely to invest".

"Prabhu, G., Vechalekar N.M in the study "Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds" (2013)6 analyzed investors' behavior towards Monthly Income Plan (MIP) fund. The study reveals that the 90% of the population is aware about MIP. Diversifications of portfolio and tax benefit are the main factors of mutual fund that attract the investors. This paper makes an endeavor to recognize different elements influencing view of investors with respect to investment in Mutual funds. The discoveries will help mutual fund companies to recognize the areas needed for improvement in order to create greater awareness among investors regarding investment in mutual funds. The researcher concluded that the consistent returns are the main factor for investing in MIP Fund. As per the findings of the research HDFC MIP is the most preferred MIP fund after which is Reliance MIP".

"Jani, D., Jain, R. in the paper "Consumer's Perception Towards Mutual Funds As An Investment Option Specially Focused On Valsad City Located In Gujarat" (2013)7 have concentrated mainly on the investors' preference towards mutual funds in rural and urban areas and the findings of the research reveals that there is no significance difference between the investors' style, their perception towards the mutual funds are almost same in all factors the thing matters is the age factor. The author also states that most of the investors in rural and urban areas invest for capital appreciation and not for the higher returns, they prefer safety. The study explained that the more importance is given to the financial advisor. Tax is the least important factor which affects the investment decision because for that investors need to prefer ELSS scheme which has a lock in period of 3 years".

"Bhuvaneswari, C. in the study "A Study on Investor's Perception towards Equity/Tax Saving Mutual Funds" (2013)8 focused on the aim of finding out the investor's perception towards Equity/Tax saving Mutual Funds. The author is interested in identifying the major factors that affect investor's perception in the area of Equity/Tax saving Mutual Funds. The researcher used the Descriptive type of research design in the study. Structured Questionnaire is framed by the author to gather the Primary data. The researcher gathered data with the help of convenient sampling from 120 respondents. According to this study liquidity, rate of returns, dividends, growth in NAV and consistency are the factors influencing the investors' perception and these factors have significant impact on the investment instruments. As per the author it is the moral responsibility of Asset Management Company to take care of wealth maximization of the mutual fund investors. The research concludes that the approach of the respondents towards the rate of return is not dependent on the experience. From this research, researcher inferred that there is a critical distinction between the opinions of the respondents towards the service facilities given by the Equity/Tax saving fund Experience. The researcher further concludes that there is no significant relationship between the age of the respondents and their opinion towards the facilities of the mutual funds".

RESEARCH METHODOLOGY

RESEARCH DESIGN

Descriptive research design is adopted for this research study. "The research design is the empirical outline within which research study is conducted and it builds up the blueprint for the collection and measurement of data,

statistical and financial tools for assessment and research of variance.

STATEMENT OF PROBLEM

Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. This paper makes an attempt to identify factors affecting perception of investors as well as distributors while taking mutual funds investment decision. It will help the mutual fund companies to create new and innovative product according to the orientation of investors. The research aims at finding out the factors affecting investment decision on mutual funds according to mutual fund investors as well as distributors perspective and its preference over retail investors.

OBJECTIVES OF THE PROPOSED STUDY

To study the different factors affecting mutual fund investor investment decision according to mutual fund investors as well as distributors perspective.

HYPOTHESIS TO BE TESTED

Research is undertaken with following hypothesis

There are significant factors influencing the investors investment decision"

H1: "Speculation, News Channels, bullish market, bearish market, broker's advice, mutual fund magazines, past performance of the fund, the reputation of AMC, ratings by research agencies, reputation and performance of the fund manager, past performance of the fund, withdrawal facility, innovativeness of funds, the expense ratio of respective schemes, proper analysis of funds these factors are influencing the investor's investment decision of mutual funds.

DATA COLLECTION

Data collected from primary sources. Primary data collected with the help of questionnaire and interviews of respondents.

Type of Research: Descriptive Research

Sampling Frame : Population: "Geographical area of research is Mumbai City."

Sampling Unit : "Retail Investors and distributors of mutual funds

Sampling Method : Stratified random sampling

Sample Size : Investors: 305 and Mutual Fund Distributors: 150

1. A questionnaire distributed to advisors/distributors and data gathered from 150 distributors.

2. A questionnaire distributed to mutual fund investors and data collected from 305 mutual fund investors.

TOOLS AND TECHNIQUES OF RESEARCH

SPSS (version 20) is software used for various techniques/tools of analysis such as Reliability Testing, Chi-square, Factor Analysis, KMO and Bartlett's Test, Eigenvalues test, Rotated Component Matrix for the analysis of tabulated data. A 5% level of significance would be acceptable for establishing the strength of the hypothesis whether it holds or not.

LIMITATIONS OF THE STUDY

Sample size is limited to 305 Mutual fund investors and 150 mutual fund distributors across the Mumbai city only. The sample size may not adequately represent the national market."

HYPOTHESIS

H1: "Speculation, News Channels, bullish market, bearish market, broker's advice, mutual fund magazines, past performance of the fund, the reputation of AMC, ratings by research agencies, reputation and performance of the fund manager, past performance of the fund, withdrawal facility, innovativeness of funds, the expense ratio of respective schemes, proper analysis of funds these factors are influencing the investor's investment decision of mutual funds.

Prior to conducting factor analysis, the scale of reliability is utilized to discover the internal consistency of the variables to be utilized in factor analysis. A measurement that is deficient in reliability will also be short of validity. If the scale of reliability is near to 1, then it can be inferred that the variables are appropriate for performing factor analysis. Reliability analysis is a renowned and repeatedly used SPSS method of measuring the internal consistency of the variables."

As per the Investors Perspective
Table 1: "Reliability Statistics

Cronbach's Alpha	N of Items
0.769	14

As per the table 1 the value of Alpha (α) is 0.769. It can be represented that the variables are consistent and consequently these variables are thought to be appropriate for conducting factor analysis."

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.778
Bartlett's Test of Sphericity	Approx. Chi-Square	997.779
	Df	91.000
	Sig.	.000

According to the table 2 the level of significance is 0.000 is less than the assumed level of significance value 0.05. Hence, H0 gets rejected. This means that factor analysis is valid. The estimation of KMO coefficient ought to be constantly more than 0.5. Since the estimation of KMO measure is 0.778, it can be inferred that the factor analysis for data summarization is an appropriate."

Table 3: Communalities

	Initial	Extraction
I feel investment in mutual funds is totally dependent on speculation I feel investment in mutual funds is totally dependent on speculation	1.000	.566
I feel my investment decision of mutual fund is influenced by News Channel	1.000	.511
I feel investment done in Mutual funds when the market is bullish is a smart choice	1.000	.684
I feel investment done in Mutual funds when the market is bearish is a smart choice	1.000	.745
I feel my investment decision of mutual fund is influenced by broker's advice	1.000	.614
I feel my investment decision of mutual fund is influenced by Mutual Fund Magazines	1.000	.531
I feel my investment decision of mutual fund depends on past performance of the fund	1.000	.679

|						
I feel investment in mutual fund dependent on reputation of AMCs	1.000	.659	I feel investment in mutual fund depends on withdrawal facility	1.000	.444
I feel investment in mutual fund depends on rating by a research agency	1.000	.525	I feel investment in mutual fund depends on innovativeness of fund	1.000	.466
I feel investment in mutual fund depends on the reputation and performance of Mutual Fund manager	1.000	.565	I feel investment in mutual funds is dependent on proper analysis of Mutual Funds	1.000	.418
			Extraction Method: Principal Component Analysis.		

Communality is the measure of change, a variable shares with the diverse variables being considered. This is the portion of difference clarified by the basic components.

Table 4: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.841	27.433	27.433	3.841	27.433	27.433	2.588	18.483	18.483
2	1.646	11.760	39.193	1.646	11.760	39.193	2.304	16.457	34.940
3	1.360	9.714	48.907	1.360	9.714	48.907	1.833	13.092	48.032
4	1.192	8.515	57.422	1.192	8.515	57.422	1.315	9.391	57.422
5	0.983	7.025	64.447						
6	0.823	5.881	70.329						
7	0.726	5.189	75.518						
8	0.635	4.534	80.051						
9	0.604	4.315	84.366						
10	0.523	3.733	88.099						
11	0.498	3.560	91.659						
12	0.412	2.942	94.601						
13	0.397	2.836	97.437						
14	0.359	2.563	100.000						
Extraction Method: Principal Component Analysis.									

Scree Plot
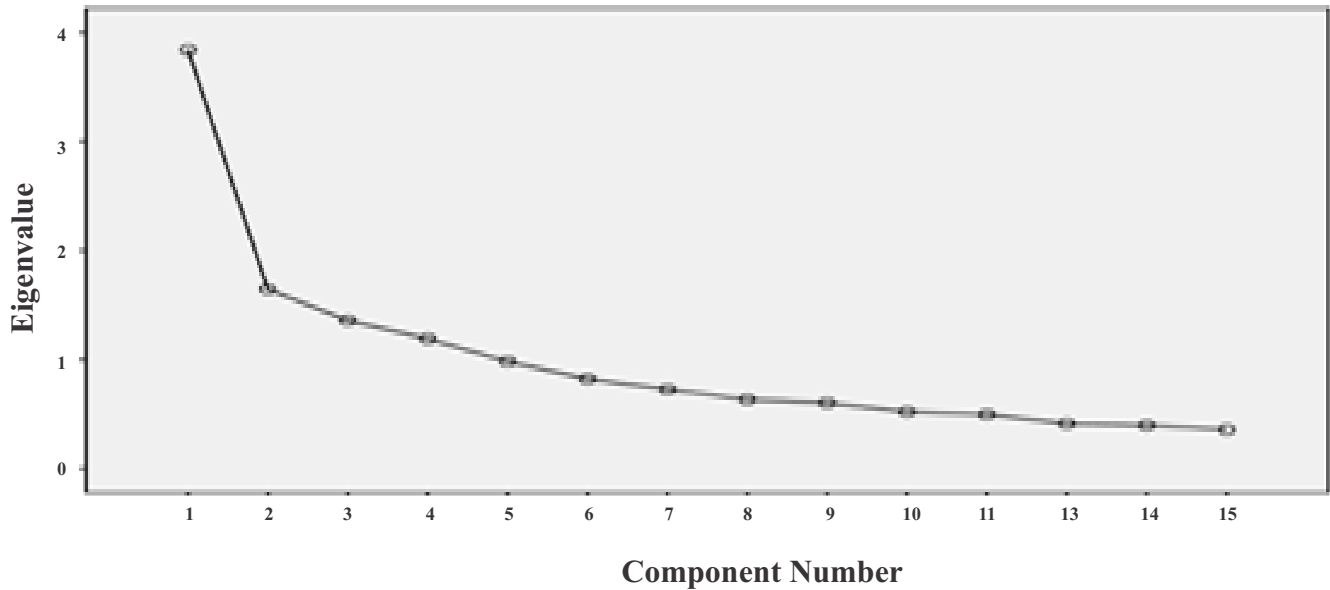
Scree Plot is a graph that plots the component number on x-axis and Eigenvalues on y-axis. From the figure of Scree plot 1, it can be concluded that there are two factors having the Eigenvalues more than one."

Table 5: "Rotated Component Matrixa

	Component			
	1	**2**	**3**	**4**
Investment in mutual funds is totally dependent on speculation	-.182	.083	.724	-.041
Investment in mutual funds is totally dependent on speculation	.024	.351	.604	-.149
Investment decision of mutual fund is influenced by News Channel	.025	.157	.307	-.752
Investment done in Mutual funds when the market is bullish is a smart choice	.077	.182	.192	.818
Investment done in Mutual funds when the market is bearish is a smart choice	.419	-.289	.596	.003
Investment dicision of mutual fund is influenced by broker's advice	.420	.079	.567	.161
Investment dicision of mutual fund is influenced by Mutual fund Magazines	.816	.097	.016	-.054
Investment dccision of mutual fund depends on past performance of the fund	.816	.097	.016	-.054
Investment in mutual funds dependent on reputation of AMCs	.762	.276	.025	.033
Investment in mutual fund depends on rating by a research agency	.665	.255	.131	-.003
Investment in mutual fund depends on the reputation and performance of Mutual Fund manager	.342	.654	-.144	.004
Investment in mutal fund depends on withdrawal facility	.227	.560	.279	-.020
Investment in mutual fund depends on expense ratio of respective schemes	.106	.784	.081	-.30

Investment in mutual fund depends on innovativeness of fund	.196	.639	.109	-.085
Investment in mutual funds is dependent on proper analysis of Mutual Funds	.536	.334	-.010	.137
a. Rotation converged in 8 iterations.				

From the table 5 of Rotated Component Matrix, it can be seen that the four factors can be classified as follows:

Factor 1:
- Speculation
- Bullish Market
- Bearish Market

Factor 2
- News Channel
- Broker's advice
- Mutual Fund Magazines
- Proper analysis of Mutual Funds

Factor 3
- Past performance of the fund
- Reputation of AMCs
- Rating by a research agency
- Reputation and performance of Mutual Fund manager

Factor 4
- Withdrawal facility

- Expense ratio of respective schemes
- Innovativeness of fund

The factors are renamed as follows :

Factor 1 - Speculation

Factor 2 - Analyzing Factors

Factor 3 - Performance Factors

Factor 4 - Facilities provided by a mutual fund

From the Factor analysis, it states that Speculation, Analyzing, Performance and Facilities provided by a mutual fund are the four main constituents that influence the buying decision of an investor.

In order to show the uniqueness in observations, both chi square test and factor analysis are utilized for H1"

Chi Square test

Table 6:   Investment in mutual funds is totally dependent on Speculation

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	48	61.0	-13.0
20-40% Disagree	85	61.0	24.0
40-60% Neutral	81	61.0	20.0
60-80% Agree	64	61.0	3.0
80-100 % Strongly Agree	27	61.0	-34.0
Total	305		

Table 7: Mutual fund investment decision of an investor is influenced by News Channel

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	39	61.0	-22.0
20-40% Disagree	75	61.0	14.0
40-60% Neutr al	107	61.0	46.0
60-80% Agree	63	61.0	2.0
80-100% Strongly Agree	21	61.0	-40.0
Total	305		

Table 8: Investment done in mutual funds when the market is bullish is a smart choice

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	28	61.0	-33.0
20-40% Disagree	92	61.0	31.0
40-60% Neutral	110	61.0	49.0
60-80% Agree	50	61.0	-11.0
80-100% Strongly Agree	25	61.0	-36.0
Total	305		

Table 9: Investment done in mutual funds when the market is bearish is a smart choice

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	19	61.0	-42.0
20-40% Disagree	50	61.0	-11.0
40-60% Neutral	117	61.0	56.0
60-80% Agree	79	61.0	18.0
80-100% Strongly Agree	40	61.0	-21.0
Total	305		

Table 10: Investment decision of mutual fund is influenced by Broker's advice

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	19	61.0	-42.0
20-40% Disagree	56	61.0	-5.0
40-60% Neutral	84	61.0	23.0
60-80% Agree	94	61.0	33.0
80-100% Strongly Agree	52	61.0	-9.0
Total	305		

Table 11: Investment decision of mutual fund is influenced by Mutual Fund Magazines

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	26	61.0	-35.0
20-40% Disagree	82	61.0	21.0
40-60% Neutral	99	61.0	38.0
60-80% Agree	68	61.0	7.0
80-100% Strongly Agree	30	61.0	-31.0
Total	305		

Table 12: Investment decision of mutual fund depends on past performance of the fund

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	14	61.0	-47.0
20-40% Disagree	33	61.0	-28.0
40-60% Neutral	67	61.0	6.0
60-80% Agree	106	61.0	45.0
80-100% Strongly Agree	85	61.0	24.0
Total	305		

Table 13: Investment in mutual fund dependent on reputation of AMCs

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	19	61.0	-42.0
20-40% Disagree	26	61.0	-35.0
40-60% Neutral	102	61.0	41.0
60-80% Agree	95	61.0	34.0
80-100% Strongly Agree	63	61.0	2.0
Total	305		

Table 14: Investment in mutual fund depends on rating by a research agency

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	21	61.0	-40.0
20-40% Disagree	37	61.0	-24.0
40-60% Neutral	92	61.0	31.0
60-80% Agree	101	61.0	40.0
80-100% Strongly Agree	54	61.0	-7.0
Total	305		

Table 15: Investment in mutual fund depends on the reputation and performance of mutual Fund manager

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	12	61.0	-49.0
20-40% Disagree	34	61.0	-27.0
40-60% Neutral	112	61.0	51.0
60-80% Agree	91	61.0	30.0
80-100% Strongly Agree	56	61.0	-5.0
Total	305		

Table 16: Investment in mutual fund depends on withdrawal facility

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	15	61.0	-46.0
20-40% Disagree	63	61.0	2.0
40-60% Neutral	127	61.0	66.0
60-80% Agree	72	61.0	11.0
80-100% Strongly Agree	28	61.0	-33.0
Total	305		

Table 17: Investment in mutual fund depends on expense ratio of respective schemes

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	15	61.0	-46.0
20-40% Disagree	43	61.0	-18.0
40-60% Neutral	128	61.0	67.0
60-80% Agree	89	61.0	28.0
80-100 % Strongly Agree	30	61.0	-31.0
Total	305		

Table 18: Investment in mutual fund depends on innovativeness of fund

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	12	61.0	-49.0
20-40% Disagree	50	61.0	-11.0
40-60% Neutral	127	61.0	66.0
60-80% Agree	83	61.0	22.0
80-100% Strongly Agree	33	61.0	-28.0
Total	305		

Table 19: Investment in mutual funds is dependent on proper analysis of Mutual Funds

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	7	61.0	-54.0
20-40% D isagree	25	61.0	-36.0
40-60% Neutral	85	61.0	24.0
60-80% Agree	118	61.0	57.0
80-100% Strongly Agree	70	61.0	9.0
Total	305		

Table 20: Test Statistics

Investment in mutual funds is totally dependent on speculation I feel investment in mutual funds is totally dependent on speculation	37.869^a	4	0.000
My investment decision of mutual fund is influenced by News Channel	72.131^a	4	0.000
Investment done in Mutual funds when the market is bullish is a smart choice	96.197^a	4	0.000
Investment done in Mutual funds when the market is bearish is a smart choice	94.852^a	4	0.000
My investment decision of mutual fund is influenced by broker	57.180^a	4	0.000
My investment decision of mutual fund is influenced by Mutual Fund Magazines	67.541^a	4	0.000
My investment decision of mutual fund depends on past performance of the fund	92.295^a	4	0.000
Investment in mutual fund dependent on reputation of AMCs	95.574^a	4	0.000
Investment in mutual fund depends on rating by a research agency	78.459^a	4	0.000
Investment in mutual fund depends on the reputation and performance of Mutual Fund manager	109.115^a	4	0.000
Investment in mutual fund depends on withdrawal facility	126.000^a	4	0.000
Investment in mutual fund depends on expense ratio of respective schemes	142.197^a	4	0.000
Investment in mutual fund depends on innovativeness of fund	133.541^a	4	0.000
Investment in mutual funds is dependent on proper analysis of Mutual Funds	133.082^a	4	0.000
0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 61.0.			

Table 20, throws light on Cross tabulations and Chi-square which are experimental tool that can be utilized to search for an association between variables. The number of observations is 5 hence, the degrees of freedom is 4. The table 20 depicts the high chi-square value. **The table shows the 0.000 significance value which is less than the assumed level of significance, i.e. 0.05; hence, the null hypothesis gets rejected."**

As per Distributors perspective (H1)

Table 21: Reliability Statistics

Cronbach's Alpha	N of Items
0.703	7

As per the table 21 the value of Alpha (α) is 0.703. It can be represented that the variables are consistent and consequently these variables are thought to be appropriate for conducting factor analysis.

Test 22: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.598
Bartlett's Test of Sphericity	Approx. Chi-Square	210.668
	Df	21.000
	Sig.	.000

According to the table 22 the level of significance is 0.000 is less than the assumed level of significance value 0.05. Hence, H0 gets rejected. This means that factor analysis is valid. The estimation of KMO coefficient ought to be constantly more than 0.5. Since the estimation of KMO measure is 0.598, it can be concluded that the factor analysis for data summarization is appropriate.
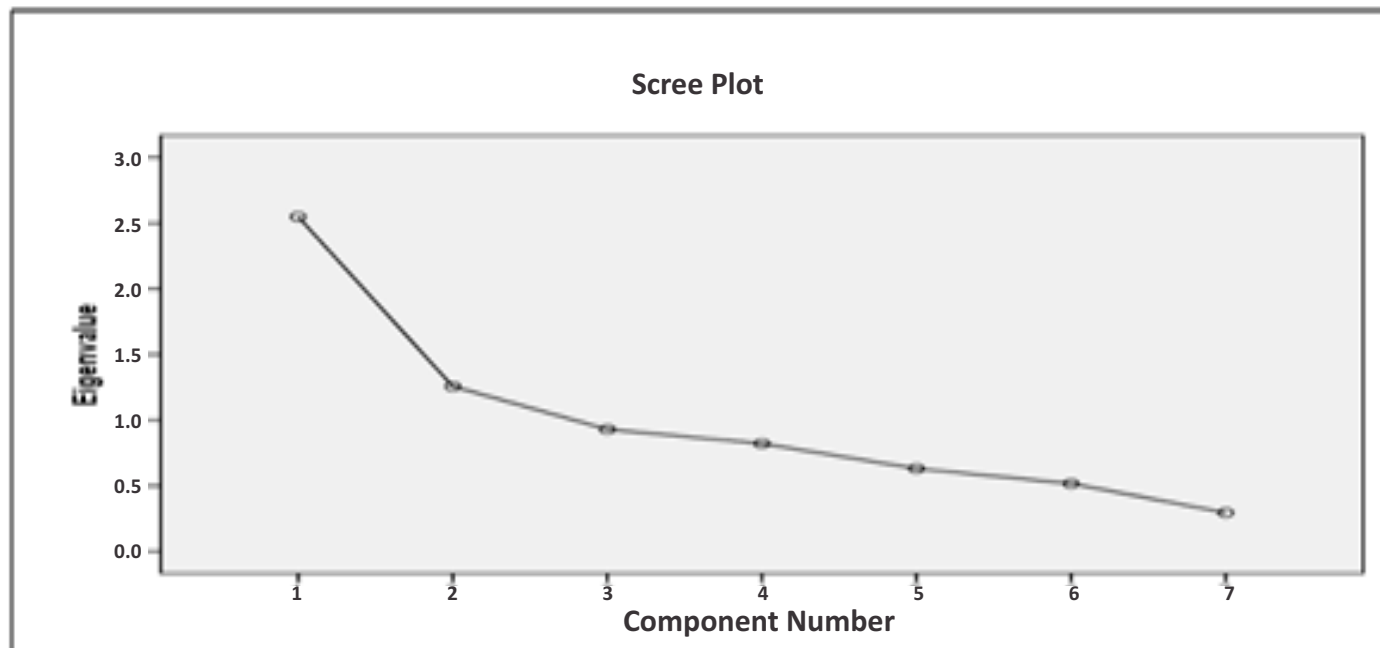
Table 23: Communalities

	Initial	Extra-ction
Buying decision of investors are dependent on News Channel	1.000	.406
Buying decision of investors are dependent on Suggestions by broker	1.000	.675
Buying decision of investors are dependent on Suggestions by distributor	1.000	.610
Buying decision of investors are dependent on Mutual fund reports published in magazines/journals	1.000	.350
Buying decision of investors are dependent on Past performance of fund	1.000	.296
Buying decision of investors are dependent on Expense ratio of respective scheme	1.000	.296
Buying decision of investors are dependent on Innovativeness of fund	1.000	.723
Extraction Method: Principal Component Analysis.		

Communality is the measure of change a variable shares with the diverse variables being considered. This is the portion of difference clarified by the basic components."

Table 24 : Total Variance Explained

Comp onent	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.548	36.400	36.400	2.548	36.400	36.400	2.192	31.321	31.321
2	1.257	17.955	54.355	1.257	17.955	54.355	1.612	23.034	54.355
3	.930	13.291	67.646						
4	.821	11.733	79.378						
5	.631	9.016	88.394						
6	.517	7.386	95.780						
7	.295	4.220	100.000						
Extraction Method: Principal Component Analysis.									

Figure 2: Scree Plot

Scree Plot is a graph that plots the component number on x-axis and Eigenvalues on y-axis. From the figure 2 of Scree plot, it can be concluded that there are two factors having the Eigenvalues more than one."

Table 25: Rotated Component Matrix[a]

	Component	
Communalities	**1**	**2**
Buying decision of investors are dependent on News Channel	.631	.091
Buying decision of investors are dependent on Suggestions by broker	.821	-.010
Buying decision of investors are dependent on Suggestions by distributor	.776	.088
Buying decision of investors are dependent on Mutual fund reports published in magazines/journals	.541	.239
Buying decision of investors are dependent on Past performance of fund	.443	.316
Buying decision of investors are dependent on Expense ratio of respective scheme	.072	.861
Buying decision of investors are dependent on Innovativeness of fund	.154	.836
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

As per the table 25 of Rotated Component Matrix, it can be seen that the two factors can be classified as follows:

Factor 1

- News Channel
- Broker's advice
- Distributor's advice
- Mutual Fund Magazines
- Past performance of fund

Factor 2

- Expense ratio of respective schemes
- Innovativeness of fund

The factors are renamed as follows:

Factor 1 - Analyzing Factors

Factor 2 - Distinctive features of a mutual fund

From the Factor analysis, it states that as per the distributor's view point Analyzing Factors and Distinctive features of a mutual fund are the two main constituents are influencing the investors investing decision."

In order to show the uniqueness in observations, both chi square test and factor analysis are utilized for H1

Table 26: Buying decision of investors is dependent on the News Channel

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	10	30.0	-20.0
20 -40 % Disagree	24	30.0	-6.0
40 -60 % Neutral	54	30.0	24.0
60 -80 % Agree	43	30.0	13.0
80 -100 % Strongly Agree	19	30.0	-11.0
Total	**150**		

Table 27: Buying decision of investors is dependent on suggestions by broker

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	1	30.0	-29.0
20 -40 % Disagree	16	30.0	-14.0
40 -60 % Neutral	28	30.0	-2.0
60 -80 % Agree	68	30.0	38.0
80 -100 % Strongly Agree	37	30.0	7.0
Total	**150**		

Table 28: Buying decision of investors is dependent on suggestions by distributor

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	2	30.0	-28.0
20 -40 % Disagree	12	30.0	-18.0
40 -60 % Neutral	28	30.0	-2.0
60 -80 % Agree	74	30.0	44.0
80 -100 % Strongly Agree	34	30.0	4.0
Total	150		

Table 29: Buying decision of investors is dependent on mutual fund reports published in magazines/journals

Dimension	Observed N	Expected N	Residua l
0-20% Strongly Disagree	9	30.0	-21.0
20 -40 % Disagree	17	30.0	-13.0
40 -60 % Neutral	40	30.0	10.0
60 -80 % Agree	62	30.0	32.0
80 -100 % Strongly Agree	22	30.0	-8.0
Total	150		

Table 30: Buying decision of investors is dependent on past performance of fund

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	2	30.0	-28.0
20 -40 % Disagree	4	30.0	-26.0
40 -60 % Neutral	21	30.0	-9.0
60 -80 % Agree	84	30.0	54.0
80 -100 % Strongly Agree	39	30.0	9.0
Total	150		

Table 31: Buying decision of investors is dependent on expense ratio of respective scheme

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	5	30.0	-25.0
20 -40 % Disagree	16	30.0	-14.0
40 -60 % Neutral	59	30.0	29.0
60 -80 % Agree	54	30.0	24.0
80 -100 % Strongly Agree	16	30.0	-14.0
Total	150		

Table 32: In my opinion buying decision of investors is dependent on innovativeness of fund

Dimension	Observed N	Expected N	Residual
0-20% Strongly Disagree	4	30.0	-26.0
20 -40 % Disagree	17	30.0	-13.0
40 -60 % Neutral	40	30.0	10.0
60 -80 % Agree	66	30.0	36.0
80 -100 % Strongly Agree	23	30.0	-7.0
Total	150		

Table 33: Test Statistics Buying decision of investors are dependent on below mentioned factors

Test Statistics			
	Chi -Square	df	Asymp. Sig.
News Channel	43.400 [a]	4	0.000
Suggestions by broker	84.467 [a]	4	0.000
Suggestions by distributor	102.133 [a]	4	0.000
Mutual fund reports published in magazines/journals	59.933 [a]	4	0.000
Past performance of fund	151.267 [a]	4	0.000
Expense ratio of respective scheme	81.133 [a]	4	0.000
Innovativeness of fund	76.333 [a]	4	0.000
a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 30.0.			

Table 33, throws light on Cross tabulations and Chi-square which are experimental tool that can be utilized to search for an association between variables. The number of observations is 5 hence, the degrees of freedom is 4. The table 33 depicts the high chi-square value. The table shows the 0.000 significance value which is less than the assumed level of significance, i.e. 0.05. Hence, the null hypothesis gets rejected. This means that as per the data collected from 150 mutual fund distributors, Speculation, News Channels, bullish market, bearish market, broker, distributor, mutual fund magazines, past performance of the fund, the reputation of AMC, ratings by research agencies, reputation and performance of the fund manager, past performance of the fund, withdrawal facility, innovativeness of funds, the expense ratio of respective schemes, proper analysis of funds these factors are influencing the investor's investment decision of mutual funds."

FINDINGS

The following are important findings of the study.

- The factor analysis states that Investment in mutual funds is totally dependent on speculation, investment decision of mutual fund depends on past performance of the fund, investment in mutual fund depends on the reputation and performance of mutual fund manager and investment in mutual fund depends on withdrawal facility provided by a mutual fund are the four main constituents that influence the buying decision of an investor.

- Prospective retail investors seem to seek expert advice and rely on it the most while taking their investment decision. Some investors depend on the ratings given by CRISIL, ICRA, CARE etc to decide as to where to invest and a few investors seem to analyze about the past performance (NAV) or the asset management company.

- Retail investors' gathers information about the performance and reputation of AMCs expense ratio of various mutual funds mainly from brokers, financial consultants, financial institutions, internet, TV channels and mutual fund magazines/newspapers respectively.

- The primary source of knowledge about mutual funds as an investment option is from sales representatives to most of the retail investor followed by internet, newspaper/journals, television and from friends /relatives.

- Few investors are giving importance to the innovativeness of respective fund/scheme.

CONCLUSION

- The study evaluated the influencing factors of mutual

fund selection as per the investor and distributor's perspective using various statistical tools. The data collected for this study from 305 mutual fund investors and 150 distributors from Mumbai City.

- The study gives greater significance to four main constituents namely speculation, past performance of the fund, reputation as well as performance of mutual fund manager and withdrawal facility provided by a mutual fund.

- Continuous product development and introduction of innovative products is also one of the important factor from investors point of view.

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