A Study on Mutual Fund Features and Satisfaction of the Investors with reference to Madurai City

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Abstract: *A mutual fund serves as a link between the investor and the securities market by mobilising savings from the investors and investing them in the securities market to generate returns. Thus, a mutual fund is asking for portfolio management services (PMS). Although, both are conceptually same, they are different from each other. Portfolio management services are offered to high net worth individuals; taking into account their risk profile, their investments are managed separately. In the case of mutual funds, savings of small investors are pooled under a scheme and the returns are distributed in the same proportion in which the investments are made by the investors/unit-holders. The investor enjoy the benefits in mutual fund such as Professional management, Portfolio diversification, Reduction in transaction costs, Liquidity, Convenience, Flexibility and Tax benefits. All investors those who invest in mutual fund are enjoying the benefits of mutual fund. However, the scope and efficiency of mutual funds are influenced by overall economic fundamentals. Also, the success of mutual funds is essentially the result of the combined efforts of competent fund managers and alert investor behaviour. This study makes a minor effort to understand the importance of mutual fund features in the satisfaction of the investors.*

Keywords: Mutual fund, Benefits, Product features.

1. INTRODUCTION

Financial markets are the backbone of an economic system and aids in the allocation of share capital across the productive sectors of the economy. This allocation of resources helps to sustain healthy climate for savings and investment. The financial system has to be dynamic as it has to continuously respond to the needs of the economy to help it to achieve its goals. The mutual fund is one of the important financial instruments in Indian capital market.

A mutual fund is a financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is "mutual" as all of its returns, minus its expenses, are shared by the fund's investors. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 defines a mutual fund as a 'a

fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments'.

The investor money is collected by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures. The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them (pro - data). Thus, a mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in mutual funds. The biggest advantage of mutual funds is

diversification of risk. Diversification means spreading out money across many different types of investments.

Mutual fund as a dynamic financial institution, play a vital role in an economy by mobilizing, saving and investing them in the capital markets. However, the scope and efficiency of mutual funds are influenced by overall economic fundamentals. Also, the success of mutual funds is essentially the result of the combined efforts of competent fund managers and alert investors behaviour. Investor behaviour is a crucial aspect. Many studies have been done in the area of investor's behaviour. This study as well makes a minor effort to understand the importance of mutual fund features in the satisfaction of the investors. For the purpose, the researcher administered the present study in Madurai City with 11 companies. The names of the company's are listed as follows: Reliance mutual fund, Prudential ICICI mutual fund, HDFC mutual fund, SBI mutual fund, Franklin Templeton, Karvy stock broking limited, Kotak securities, HDFC mutual fund, Franklin, IDBI mutual fund, L & T mutual fund, TATA mutual fund, Birla Sun Life asset management company Ltd.

2. REVIEW OF LITERATURE

De Bondt and Thaler (1985), while investigating the possible psychological basis for investor behaviour, argue that mean revision in stock prices is an evidence of investor over reaction where investor over-emphasizes recent firm performance in forming future expectation.

Robert J.shiller (1993) reported that many investors do not have data analysis and interpretation skills. This is because, data from the market supports the merits of index investing, passive investors are more likely to base their investment choices on information received from objective or scientific sources.

S. Sivanesan (1997) revealed that his analysis has brought out various results arising from different tools of analysis. All relevant factors have been considered to bring out the relationship awareness. The investor's awareness increases with the duration of investment, when investors invest for a considerably long period they tend to acquire more awareness.

Ramamurthy and Reddy S (2005) conducted a study to analyse recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors due to efficient management are, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI.

Based on the review of literature, it was identified that there are lot of studies done in the area of mutual fund in India. More over studies examining the importance of mutual fund product features on the satisfaction of investor's are scarce. Hence, the present study proposes to identify whether there exist any association between mutual fund features and satisfaction of the investors.

3. RESEARCH METHODOLOGY

3.1 Objective of the study

To identify whether there exists any association between mutual fund features and satisfaction of the investors.

3.2 Source & Instrument for data collection

To identify whether there exists any association between mutual fund features and satisfaction of

the investors an instrument developed by "Kavitha Ranganathan" was adopted. The questionnaire was divided into two parts, part-A and part-B. The part –A of the questionnaire solicits information regarding the demographic profile of the respondents. it includes Gender, age, academic qualification, marital status, occupation, annual income, annual saving, saving objective, saving avenue. Part- B of the questionnaire solicits information regarding the various aspects of mutual fund. The primary data was collected through survey method using questionnaire. The data was collected from mutual fund investors from 11 companies situated at Madurai City. The respondents' belong to various profile such as different age groups, year of experience, income levels, designation and qualification.

3.3 Pilot study

To know about the validity of the instrument a pilot study was conducted among 37 respondents. Based on their suggestions a few changes were made in the instrument. However, the pilot study revealed face validity of the instrument.

3.4 Sampling techniques

A multi stage sampling was done for the present study. The researcher has collected data from the investors of mutual funds in Madurai City. There were 15 companies dealing with mutual funds in Madurai. All the 15 companies were contacted. However, only 11 companies were interested in the study. Based on the data provided by the interested companies, a list consisting of 348 investors was developed. To randomize, every second person in the list of investor's were decided to be included in the sample. The researcher meticulously tried contacting everyone in the list. However, it was not possible to reach 41 investors. The researcher contacted the remaining 133 investors. However,

only 129 investors gave appointment. The researcher met the investors personally and handed over the questionnaire to them after explaining the purpose of research. A few investors were not able to return the questionnaire within the time period and a few were incomplete. Hence, those response sheets were removed from the sample. After all the omissions, the final sample consisted of 123 investors.

3.5 Limitation of the Study

➢ Sample size is limited to 123 educated individual investors in the city of Madurai. The sample size may not adequately represent the national market.

➢ Period of study is December 2015-July 2016 only. Due to time constraint and financial constraints, it was not possible to collect more samples.

4. INTERPRETATION AND ANALYSIS

Section 4 presents the association between mutual fund features and satisfaction of the investors. Chi square test is used to find the association. For the purpose the following null hypothesis is formulated.

H_0: there is no significant association between mutual fund features & satisfaction of the investors.

The mutual fund features focused in the present study are product attributes, sponsor quality, investor related services, environmental forces, routine and special information. Based on the null hypothesis, specific hypothesis are also formulated.

Association between Mutual Fund product attributes and level of satisfaction

The table 4.1 shows the chi-square value and p-value. Here, chi square test is used to find whether there exists any association between mutual fund product attributes and level of satisfaction. The mutual fund product attributes is classified into three categories namely: highly influential, moderately influential, and less influential. Satisfaction is classified into satisfied, moderately satisfied, and unsatisfied.

$H_{01:}$ There is no association between mutual fund product attributes and level of satisfaction

Table 4.1 showing association between mutual fund product attributes and level of satisfaction

Level of Satisfaction	Level of Mutual Fund Qualities				Chi Square Value	p-value
	Less influential	Moderately influential	Highly influential	Total		
Satisfied	5	1	9	15	14.972[a]	0.005**
Moderately Satisfied	0	1	9	10		
Un satisfied	5	7	86	98		
Total	10	9	104	123		

Note : 1. ** denotes significant at 1% level. 2. * denotes significant at 5% level.

Since P-value is less than 0.01, null hypothesis is rejected at 1% level of significance. Hence, it can be concluded that there is association between mutual fund product attributes and level of satisfaction. Moreover, it can be inferred that the investors who felt the product attributes are highly influential are unsatisfied with the product attributes.

Association between sponsor qualities and level of satisfaction

The table 4.2 shows the chi-square value and p-value. Here, chi square test is used to find whether there exists any association between sponsor qualities and levels of satisfaction. Satisfaction is classified into three categories namely: satisfied, moderately satisfied, and unsatisfied. Sponsor quality is classified into less influential, moderately influential and highly influential.

$H_{02:}$ There is no association between sponsor qualities and level of satisfaction

Table 4.2 showing association between sponsor qualities and level of satisfaction

Level of Satisfaction	Level of Sponsor Qualities				Chi Square Value	p-value
	Less influential	Moderately influential	Highly Influential	Total		
Satisfied	5	0	10	15	18.480[a]	0.001**
Moderately satisfied	1	1	8	10		
Un satisfied	3	7	88	98		
Total	9	8	106	123		

Note : 1. ** denotes significant at 1% level. 2.   * denotes significant at 5% level.

Since P-value is less than 0.01, null hypothesis is rejected at 1% level of significance.   Hence, it can be concluded that there is association between level of satisfaction and sponsor qualities. Moreover, it can be inferred that the investors who felt the sponsor qualities are highly influential are unsatisfied with the product attributes.

Association between Investor related services and Level of Satisfaction

The table 4.3 shows the Chi-square value and P-value. Here, chi square test is used to find whether there exist any associations between investor related services and levels of satisfaction. Investor related services is classified into less influential, moderately influential, highly influential. Satisfaction is classified into satisfied, neutral satisfied, unsatisfied.

$H_{03:}$ There is no association between Investor related services and level of satisfaction.

Since p-value is more than 0.05, null hypothesis is accepted at 5 percent level of significance. Hence, it can be concluded that there is no association between investor related services and level of satisfaction.

Table 4.3 showing association between investor related services and level of satisfaction

Level of Satisfaction	Level of Investor related services				Chi Square Value	p-value
	Less influential	Moderately Influential	Highly influential	Total		
Satisfied	0	0	15	15	1.609[a]	0.807
Moderately satisfied	0	0	10	10		
Un satisfied	2	4	92	98		
Total	2	4	117	123		

Note : 1. ** denotes significant at 1% level.2.   * denotes significant at 5% level.

Association between Environmental forces and Level of Satisfaction

The table 4.4 shows the chi-square value and p-value. Here, chi square test is used to find whether there exists any association between environmental forces and levels of satisfaction. Environmental forces are classified into three categories namely:

highly influential, moderately influential and less influential. Satisfaction is classified into satisfied, moderately satisfied and unsatisfied.

$H_{04:}$ There is no association between environmental forces and level of satisfaction

Table 4.4 showing the **association between environmental forces and level of satisfaction**

Level of Satisfaction	Level of Environmental forces				Chi Square Value	P-value
	Less influential	Moderately influential	Highly Influential	Total	2.183[a]	0.702

Satisfied	0	0	15	15		
Moderately satisfied	0	0	10	10		
Un satisfied	2	6	90	98		
Total	2	6	115	123		

Note : 1. ** denotes significant at 1% level. 2.   * denotes significant at 5% level.

Since, p-value is more than 0.05, null hypothesis is accepted at 5% level of significance. Hence, it can be concluded that there is no association between environmental forces and level of satisfaction.

Association between routine/special Information and level of satisfaction

The table 4.5 shows the chi-square value and p-value. Here, chi square test is used to find whether there exists any association between routine/ special information and level of satisfaction. Routine/ special information is classified into three categories namely: highly influential, moderately influential and less influential. Satisfaction is classified into satisfied, moderately satisfied, and unsatisfied.

$H_{05:}$ There is no association between Routine/Special Information and level of satisfaction

Table 4.5 showing association between routine and special information and level of satisfaction

Level of Satisfaction	Level of Routine and Special Information				Chi Square Value	P-value
	Less influential	Moderately Influential	Highly influential	Total		
Satisfied	0	1	14	15	0.889[a]	0.926
Moderately satisfied	0	0	10	10		
Unsatisfied	1	5	92	98		
Total	1	6	116	123		

Note : 1. ** denotes significant at 1% level.2.   * denotes significant at 5% level.

Since, p-value is more than 0.05, null hypothesis is accepted at 5 percent level of significance. Hence, it can be concluded that there is no association between level of satisfaction and routine/special Information.

Association between awareness and level of satisfaction

The table 4.6 shows the chi-square value and p-value. Here, chi square test is used to find whether there exists any association between awareness and levels of satisfaction. Awareness is classified into three categories namely: less aware, moderately aware and highly aware. Satisfaction is classified into satisfied, moderately satisfied, and unsatisfied.

$H_{06:}$ There is no association between awareness and level of satisfaction

Table 4.6 showing association between awareness and level of satisfaction

Level of Satisfaction	Level of Awareness				Chi Square Value	P-value
	Less aware	Moderately aware	Highly aware	Total		
Satisfied	5	0	10	15	14.777^{a}	0.005**
Moderately satisfied	0	2	8	10		
Un satisfied	10	3	85	98		
Total	15	5	103	123		

Note : 1. ** denotes significant at 1% level. 2.   * denotes significant at 5% level.

Since, p-value is less than 0.01, null hypothesis is rejected at 1% level of significance. Hence it can be concluded that there is association between awareness and levels of Satisfaction. Moreover, it can be inferred that the investors are unsatisfied with the product features as their awareness level increases.

Findings

> There is association between mutual fund product attributes and level of satisfaction. Moreover, it can be inferred that, most of the investors are unsatisfied with highly influential product attributes of mutual fund products.

> There is association between level of satisfaction and sponsor qualities. Moreover, it can be inferred that the investors who felt the sponsor qualities are highly influential are unsatisfied with the sponsor qualities.

> There is association between awareness and levels of satisfaction. Moreover, it can be inferred that the investors are unsatisfied with the product features as their awareness level increases.

Conclusion

Mutual fund is a modern investment avenue which has a broad scope and wide opportunities. However, a lot of Indian investors are still unaware about mutual fund products and their features. This study is a minor attempt to study the association between features of mutual fund products and satisfaction of the current investors. Based on the study it is identified that when investors move close to a product they are not satisfied even with attributes which they feel are highly influential. Hence, mutual fund product managers may reconsider the product features and may make them more investor friendly which will increase mutual fund investment in India.

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