

# Demographic Factors and Perception of Individual Investors on Mutual Funds with Special Reference to Southern Kerala Region

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## Abstract

In the Indian financial industry, mutual funds are currently seen as a key tool. An investment in a mutual fund aids the investor in determining their objectives, analyzing risk and return, better planning, knowing the different options available, etc. The study's aim is to look at how demographic factors influence investors' perception of mutual fund investment. The study focuses on investors' satisfaction, perceptions, and preferences towards mutual funds, a total of 110 respondents from the southern Kerala region i.e., Trivandrum, Kollam, and Alappuzha have given their responses to this study. The study has thrown a light on the demographic factors that are affecting the investors toward mutual fund investment. According to the findings, the factors like Age group and Income status have a strong relationship with mutual fund return expectation. And Gender does not favor any relationship with mutual fund return expectations.

**Keywords:** Mutual Fund, Perception, Demographic Factors.

DOI: 10.47750/pnr.2022.13.S03.020

## INTRODUCTION

The mutual fund industry located in India is a rapidly expanding segment of the country's financial markets. They've become a crucial tool for mobilizing money, particularly from small and home investors, for capital market investment. Mutual funds first entered the Indian capital market in 1964 with the goal of providing risk diversification, guaranteed returns, and management to regular investors. They've grown tremendously in terms of number, size of business, investment base, and scope since then. The demographic profile of the investors has a significant impact on investment in any form. Apart from other considerations, investing patterns differ depending on age, gender, career, degree of education, qualification, and so on. This is also evident in the mutual fund market, as evidenced by various research. It is an investment entity that collects cash from a number of different investors.

This fund finance in bonds, and comparable assets etc. This is done with the help of expert Fund Managers. The project's goal is to know investor conscious on mutual funds, factors to consider while investing, and the most widely favored asset management businesses and fund schemes. [1]An investor receives units in exchange for his money, which are essentially fractions of the fund that the investor owns dependent on the amount invested. When it comes to

choosing a certain investment channel, investors have their own set of preferences. This is equally applicable to mutual fund investment. The study discovered that demographic parameters have an impact on investors' overall perception.[2] This study looks into the demographic factors and the insight of individual investors on Mutual fund and figures out the effect of investors' demographic factors on investment behavior. Along with that, this paper measures the satisfaction level of investors over different demographic characters. Further, the study also enables us to understand if the investor perception is dependent on the demographics of the investor.

## LITERATURE REVIEW

[3] The study points out on investments in mutual fund and its relation to investor behavior. Investors' opinions and perceptions on a variety of topics have been investigated, along with the obstacles that the mutual fund industry, which is situated in India faces, among others.

[4] This article covers the construction of mutual funds, their duties, the difference between mutual fund and bank investments, and the calculation of NAV. This study looks into the influence of a variety of demographic factors on investor views about mutual funds.

[5] This study looks at the impact of a variety of demographic

factors on investor views about mutual funds schemes. Along with that, it looks on the advantages to investors on mutual fund. The majority of investors, according to the research, are still undecided on mutual fund investing.

[6] This study's intention is to investigate the variables that have impact on mutual fund investment options and their taste on retail investors. Along with that it also found the reasons for degrading people from choosing mutual funds. The findings have help mutual fund institutions in spotting areas where they can improve.

[7] The intention of the essay is to figure out how small and household investors feel about mutual fund investments. Using a simple random sampling approach, the relevant information is acquired by mailing a structured questionnaire to 200 randomly chosen investors.

[8] The key objective of this report is to investigate how investors in Kathmandu metropolitan region choose to invest in mutual funds. The data from a structured questionnaire was analyzed utilizing descriptive analytic approaches such as the chi-square test. Most investors, according to the findings of this study, are cautious to invest in newer products such as mutual funds.

[9] This article acquires knowledge about mutual fund types and assesses the impact of demographic elements in influencing an investor's option to invest. The hypotheses were generated in light of their relevance to the research goals. The dependent variable is investment decision-making behaviours, while the independent variables are demographic parameters (age, gender, and education). Hypotheses and Pearson's Chi-square approach were used to make statistical judgments.

[10] The impact of several demographic characteristics on investor attitudes toward mutual funds is examined in this study. Aside from that, it looks at how a variety of economic and company-specific factors influence investors' fund selection as well as their risk tolerance for mutual fund investments. To that objective, 120 Kolkata residents with diverse demographic features were surveyed. According to the findings, investors' risk-taking ability varies depending on their income level, and various economic aspects influence the investor's fund selection. The research also shows there is still a requirement to increase mutual fund conciseness among Kolkata residents.

[11] The project's main purpose was to investigate many demographic variables that determine the level of mutual fund awareness of investors, as well as the numerous factors that shape an investor's perception. According to the responses, certain demographic criteria like age group and education status have a substantial impact on raising investor conciseness of investment opportunities. Transparency, fund reputation, and risk management are all factors that influence an investor's impression.

[12] Demographic elements have an impact on mutual fund decisions, along with mutual fund priorities based on

speculation features, investment timeframe, details source reach etc. In Nagapattinam area of Tamil Nadu, South India, a survey was undertaken, and statistical inferences were drawn utilizing computer software tools. Based on findings, Demographic variables, have a major influence on choice of elements of investment on minor. Along with that it also gives a wide picture on attitudes of investors around different speculation possibilities.

[13] According to reports, the demographic element has a considerable impact on investment decisions. Investors' attitudes, beliefs, and awareness levels differ depending on their demographic profile, according to various studies, and this can be reflected in their investment habits. The goal of this research was to see if there was any relation between determinants of demographics and mutual fund preferences. Investors' preferences for mutual funds are related to their age, gender, and educational level, according to the data, however occupation has no influence on mutual fund selection.

[14] The objective of this essay is to highlight the effect of a variety of variables on investors' perceptions of mutual funds. A survey was carried out, and data was collected using the convenience sample method. The study revealed a correlation between demographic parameters such as gender and monthly income, as well as factors influencing mutual fund investment such as tax benefit and liquidity. It also revealed a strong link between a variety of factors that influence an investor's perception of mutual fund performance.

[15] Investor preferences are extremely important in the financial markets. The purpose of this study is to look into customer impressions of mutual fund investments in comparison to other investment options available on the market.

[16] People's awareness of mutual fund investment is the subject of the report. Pearson correlation analysis and the Chi-Square test were used to approach the primary report. Mutual funds are disliked by investors due to their unfamiliarity according to research.

## HYPOTHESIS DEVELOPMENT

H1: There is no statistical correlation between Age of the respondents and return expectation of their investment.

H2: There is no statistical correlation between Gender of the respondents and return expectation of their investment.

H3: There is no statistical correlation between Income level of respondents and return expectation of their investment.

## RESEARCH METHODOLOGY

The research is taken from both primary and secondary sources of information. The research design is descriptive research. The 110 samples were selected. Data are analyzed using Statistical Package for Social Sciences (SPSS). The

tools used were Percentage Analysis, Reliability Analysis & Regression Analysis. The research was conducted in Trivandrum, Kollam and Alappuzha cities.

### DATA ANALYSIS AND RESULTS

#### Descriptive Statistics

Variables	Factors	Frequency	Percentage
Gender	Male	64	58
	Female	46	42
	<b>Total</b>	<b>110</b>	<b>100</b>
Age	Below 20	0	0
	21-30	39	36
	31-40	42	38
	41-50	18	16
	Above 50	11	10
	<b>Total</b>	<b>110</b>	<b>100</b>
Educational Qualification	Primary	0	0
	Secondary	3	3
	Graduate	63	57
	Post graduate	30	27
	Professional degree	14	13
	<b>Total</b>	<b>110</b>	<b>100</b>
Marital Status	Married	71	65
	Unmarried	34	31
	Widow/Separated	5	4
	<b>Total</b>	<b>110</b>	<b>100</b>
Occupation	Private	38	35
	Government	30	27
	Business	24	22
	Student	12	11
	Retired	6	5
	<b>Total</b>	<b>110</b>	<b>100</b>
Annual Income	Less than 2.5lakh	18	16
	2.5lakh-5 lakh	51	47
	5 lakh-10lakh	29	26
	Above 10 lakhs	12	11
	<b>Total</b>	<b>110</b>	<b>100</b>
Annual Savings	Less than 20000	14	13
	20000-30000	29	26
	30000-50000	34	32
	50000-100000	20	18
	Above 100000	12	11
	<b>Total</b>	<b>110</b>	<b>100</b>
Overall satisfaction on Mutual fund Investment	Low	3	3
	Medium	56	51
	High	51	46
	<b>Total</b>	<b>110</b>	<b>100</b>

#### Reliability of the Tool

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
0.720	<b>0.704</b>	<b>18</b>

The reliability of the scale is performed, and coefficient of Cronbach's Alpha is found to be 0.720 for 18 items for the research study which shows that the items are correlated. Cronbach's Alpha of higher than 0.70 is regarded a good indicator of scale reliability.

#### Multinomial Logistic Regression

**Table 1:** Demographic factors (Age, Gender & Annual Income) Vs Expectation Return on Mutual Fund

Model	Model Fitting Criteria			Likelihood Ratio Tests		
	AIC	BIC	-2 Log Likelihood	chi-Square	df	Sig.
Intercept Only	79.345	84.746	75.345	23.834	1	.048
Final	83.511	126.719	51.511			

From Table 1, it is figured out that the 'Sig.' value in Final row in the Model Fitting Information is 0.048 which proves the analysis to be a well-fitting model.

**Table 2:** Goodness-of-Fitting

	Chi-Square	df	Sig.
Pearson	<b>13.620</b>	<b>34</b>	<b>.999</b>
Deviance	<b>16.988</b>	<b>34</b>	<b>.993</b>

From Table 2, it is found that the p-value for both Pearson & Deviance are 0.999 & 0.993 (p-value < 0.05) which implies good model fit.

**Table 3:** Likelihood Ratio Tests

Effect	Model Fitting Criteria			Likelihood Ratio Tests		
	AIC of Reduced Model	BIC of Reduced Model	-2 Log Likelihood of Reduced Model	Chi-square	df	Sig.
<b>Intercept</b>	83.511	126.719	51.511 <sup>a</sup>	.000	0	
<b>Gender</b>	79.636	117.442	51.636	.124	2	.940
<b>Age</b>	83.798	110.803	63.798	12.287	6	.056
<b>Annual Income</b>	86.928	113.933	66.928	15.417	6	.017

df= degree of freedom, Sig= Significance

From Table 3, It is found that

- Gender does not have a significant effect on return expectation of investment.
- Age has a near-significant effect on return expectation of investment.
- Annual Income has a statistically significant effect on return expectation of investment.

#### **Interpretation of Significance Tests:**

**From Table 1, 2 & 3,** it is concluded that, for Hypothesis 1, HO (Null hypothesis) is rejected & Ha (Alternative hypothesis) is accepted. Hence, there is a significant relationship between Age of the respondents and return expectation of their investment.

**For Hypothesis 2,** HO is accepted while Ha is rejected. Hence, there is no statistical correlation between Gender of the responders and return expectation.

**For Hypothesis 3,** HO (Null hypothesis) is rejected & Ha (Alternative hypothesis) is accepted. Hence, there is a significant relationship between Income level of respondents and return expectation of their investment.

#### **FINDINGS**

Most of the respondents were of the age range between 21-50 years with 90%. According to the report, male individuals preferred mutual funds with 58 percent, while female responders chose mutual fund with 42 percent. Most of the respondents, that is 57% who are graduates chose mutual fund investment. Around 65% of the respondents were married. 31% respondents were unmarried, whereas only 4% of the respondents fall under the category of widow/ Separated. Majority of 35% of the respondents were from Private jobs, 27% respondents were from Government jobs, 22% respondents were from Business. 11% respondents fall under Student category and only 5% respondents were Retired. Most of the respondents have an income between 2.5lakh to 5lakh. 29 respondents have an income between 5lakh to 10lakh. 18 respondents have an income less than 2.5lakh whereas, 12 respondents have an income above 10lakh. Majority of the respondents with a range of 32% have a saving between 30000-50000, 26% respondents have a savings between 20000-30000, 18% respondents have a savings between 50000-100000, 13% have a savings less than 20000 and only 11% have a savings above 100000. Most of the respondents have a family size between 3 to 5, some have a family size up to 2 and few have a family size between 6 to 8. It has been found that most of the respondents were opted high risk, some opted moderate risk and very few opted low risk. It has been found that Open end scheme is the most preferred Mutual fund scheme over closed ended scheme. Most of the respondents i.e., 43% invest in mutual fund monthly, 21% respondents choose Quarterly, 13% respondents invest in mutual fund half yearly. Whereas 23% respondents invest in mutual fund yearly. The key source of information regarding mutual funds in terms of investment options are from Television and Internet for majority of the

retail investors, rest by newspaper/journals, friends /relatives and from sales representative. It has been found that Equity fund and Tax saving fund were the most preferred type of mutual fund schemes by investors. Tax Exemption and Return are the major benefits which the investors gained from mutual fund. Flexibility, Liquidity, Transparency, diversification, and Affordability also considered but not as much as the former. Investors have begun their investment in mutual fund since, less than 5 years, 5 years to 10 years and more than 10 years respectively. Only fewer people have been investing in mutual funds for more than 10 years. Most of the respondents have a trading amount between 10000-30000, Some have a trading amount of less than Rs 10000 and few respondents have a trading amount of more than 30000. The study has been found that Safety, Higher Return and Capital Appreciations were some of the main purpose of investors investing in mutual fund. Whereas, few investors selected Tax benefits and Liquidity as main purpose for choosing mutual fund. Majority of the responders expected high return from mutual fund and some expected average return, whereas very few expected low returns from mutual fund. Majority of the responders shows high satisfaction level on mutual fund Investment and some shows medium level of satisfaction, whereas few respondents show very low level of satisfaction on mutual fund investment. Investors are discouraged from investing in mutual funds due to a number of factors like Longer redemption period. Better Avenues in the market is another preventing factor. For some investors, low income and poor after sales service prevents them from investing in mutual fund. The majority of those polled said they would consider investing in mutual funds in the future. Whereas, a small percentage of respondents said they would not invest in a mutual fund in the future.

#### **SUGGESTIONS**

People aged 21-31 and 31-40 have made the most investments in mutual funds. As a result, mutual fund companies should focus on the underserved age group. Because the proportion of male investors in mutual funds outnumbers female investors, so mutual fund providers should work to increase female conscious regarding mutual fund schemes. Retail investors can be divided into numerous groups, with each group receiving a product tailored to their specific investment goals. Investing in highly volatile funds should be avoided, and investors should seek assistance from portfolio experts to diversify their portfolios. Before making an investment, investors should gather as much information as possible on the funds. The mutual fund business must also assist customers in mobilizing their savings so that they can maximize their returns. Companies should aim to boost investments in moderate to high-risk investments by emphasizing the benefits and returns on such investments. Mutual fund businesses should make an effort to raise consciousness about online platforms that allow investors to invest in mutual funds with ease. This study of how

demographic variables influence investment decisions could aid financial advisors in developing effective client relationships.

## CONCLUSION

Everyone does not have a good understanding of mutual funds, how they work, and what role they play in the economy, that's why Indian investors have a negative attitude toward them. There is a misconception that mutual funds do not give sufficient returns to investors. When compared to other types of securities, however, mutual funds offer a more comprehensive platform for investors to protect their money. The study focuses on investors' satisfaction, perceptions, and preferences towards mutual funds, a total of 110 respondents from the southern Kerala region i.e., Trivandrum, Kollam, and Alappuzha have given their responses to this study. The study has thrown a light on the demographic factors that are affecting the investors in order to select that particular fund. Most people prefer Equity Funds and Tax saving funds. Then, Investors then seek Debt Fund and Balance Fund. Return, tax exemption, transparency, liquidity, flexibility, diversification, and affordability are all aspects that impact an investor's choice on mutual funds. The majority of respondents believed that television and the internet provided them with more information about investing possibilities than any other medium of communication.

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