

MUTUAL FUNDS: AN EMPIRICAL ANALYSIS OF PERCEPTIONS OF INVESTORS IN WESTERN RAJASTHAN

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ABSTRACT

The mutual fund investment is important in the modern era of the changing needs of the society. The financial institutions are the reflection of the financial and intellectual development of any society. The impact of banking and financial institutions on human life relates to the economic and social dimensions touching all the parameters of work life and social security. The financial institution give the investment, growth and development to the business and society. The investors can grow with skills and competencies of the financial advisors and counselors who can use their expertise to use the wealth of people with intelligent judgment and can give high returns to the people. The aim of the paper is to build the strategic framework for the accurate investment of mutual funds to give the high returns to the investors.

Key words- Mutual-fund, Investor's security, Risk, Return

INTRODUCTION

The financial services are the basis of growth of a healthy economy. The prosperity of people is reflected by the quality of financial services available in any society. People invest money to create value which enhances their wealth and satisfaction. The financial services are intangible and have an impact on the business and life of the people. The human element of service delivery in the financial institution sector includes the providing of services as promised by the staff, effectiveness of staff's skill and ability to take the intelligent decisions to do the right investment. The knowledge and expertise is important to take the right judgment of any security or equity option floating in the market. The investment decisions of the financial firms should give the security to the investor to at least have the safe returns. The risk and returns have to be balanced in the changing and fluctuating market. The investors need to have the faith in the brand of the investment and financial institutions to build the profile of portfolio investment. Therefore the financial firms need to have the staff that can have the willingness to help the investors and the readiness to respond to customers' requests, making customers feel safe and secured in their transactions, giving caring and

individual attention. The systematization of service delivery can help the customers to give the best options of the market. The financial institutions should have the standardized and simplified delivery process so that financial services are delivered within a minimum time without any hassles or excessive bureaucracy. The telephone banking, internet banking, wireless banking service can help the customers have the superior quality service.

The financial institutions have the impact of many factors in course of their growth and development. The development of funds is impacted by the macroeconomic and microeconomic factors of the economy. The technology and innovation give the boost to product quality. The IT infrastructure development helps the communication systems to get connected in a better way. The research and development gives the better options of investing to give the safe returns. The investors have to be motivated, trained and competent to build the competency to judge the expertise of the financial institutions and allow them to invest with greater strength.

Figure 1: The factors impacting the mutual fund investment

Sl. No.	Factors	Support
1.	Technology	Builds the access to the knowledge portals with increased speed
2.	Innovation	More creative options of investment created &
3.	Counseling	Gives the security to the investor
4.	Motivation	Builds the positive attitude
5.	Quality information	Builds the empowerment
6.	Collaboration	Increases the learning and networking
7.	Commercialization	Use of knowledge in the industry
8.	Information technology	Builds the virtual teams and makes the investor emop
9.	Marketing strategies	Connects to the society and builds the faith
10.	Globalization	Exposure to the international environment
11.	Government support	Builds the quality and faith with better assurance
12.	Certification	Increases the credibility

Figure 2: The impact of mutual fund investment



The mutual funds are the important assets for any economy because they catalyze the investment in business and society. The savings are pooled to buy the bonds and securities to channelize the liquidity for the society and the stakeholders to design the fabric of development and growth to generate the wealth for the investors.

CONCEPT AND THEORETICAL ELEMENTS

A mutual fund is a type of investment fund. An investment fund is a collection of investments such as stocks, bonds or other funds. The mutual funds are “open-ended,” which means as more people invest in the fund issues or shares. A mutual fund typically focuses on specific types of investments. The fund may be invested mainly in government bonds, stocks from large companies or stocks from certain countries. Some funds may be invested in a mix of stocks and bonds, or other mutual funds. The mutual fund helps in pooling of money with many other investors. This allows investment in variety of portfolios with low cost. The professional manager makes the decisions on his expertise and knowledge. The mutual funds are widely available through banks, financial planning firms, brokerage firms, credit unions, trust companies and other investment firms. The mutual funds are impacted by the risk also. The basic risk associated with the mutual funds relate to:

- Country risk
- Credit risk
- Currency risk
- Interest rate risk

- Liquidity risk
- Market risk

LITERATURE REVIEW

According to Niamey (2008) - The mutual funds are the biggest financial assets for many investors and are important in today's investing world. The investors can achieve their investment goals with the help of well-established mechanics of mutual funds portfolio.

According to Wu, Chang and Wu (2008) -The valuation of the mutual funds should relate to the qualitative and subjective aspects of the market. The quantitative figures always do not give the right information. The investor should have more information from the market pulse and the ratings.

According to Kacperczyk, Sialmand Zheng (2007) – The mutual fund managers must have a distinct investment styles. The managers with more diversified funds' portfolios have the rhythm of the total market sentiment. The mutual funds must have large value and large blend in the world stock with the foreign large blend also.

According to Massa and Pager (2008) – The mutual funds with high level of risk have higher returns. The managers can induce the diversified portfolio to give the balanced of returns to the company.

According to Haslem, Baker and Smith (2008) -The superior performance on & average occurs among large funds with low expense ratios, low trading activity and no or low front-end loads.

According to Lewis (1993) - The services quality is important to build the customer's faith and expectation. The investment of the funds and services has to give the returns to the customers by building the trust and faith.

According to Zeithaml and Bitner –(1996) Service quality in financial transaction is the judgment of a customer about the overall excellence or superiority of a product or service.

OBJECTIVE OF THE STUDY

- The basic objective of the study is to analyze the quality of financial institutions in Western Rajasthan giving the investment expertise to the mutual fund investors.
- To determine the impact of mutual fund investment on investor's perceptions and satisfaction.
- To frame the suggested strategy for providing the quality investment products through the mutual funds.

HYPOTHESIS

- Null Hypothesis -H₀₁: There is no significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by gender.
- Alternative Hypothesis -H_{a1}: There is a significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by gender.
- Null Hypothesis- H₀₂: There is no significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by age.
- Alternative Hypothesis -H_{a2}: There is a significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by age.
- Null Hypothesis - H₁₀₃: There is no significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by income.
- Alternative Hypothesis- H_{a3}: There is a significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by income.

RESEARCH METHODOLOGY

The researcher contacted the respondents personally with well-prepared sequentially arranged questionnaire. The questionnaire prepared, was divided into two parts, of which part one was used to gather demographic details of the respondents of the investors associated with the mutual fund investment in the various parts of the state of Western Rajasthan. The six dimensions of service quality were selected related to the assurance, reliability, empathy, competency, responsiveness and accessibility.

Sampling Area - The study was conducted on the respondents i.e. the investors through the mutual fund investment in the state of Western Rajasthan.

Population- All the customers investing in the mutual funds in Western Rajasthan

Sample size – The research focused on the participants who were willing to participate. Total 144 respondents filled the questionnaire.

Sampling Design – The sample was designed by the convenience based random sampling method.

Primary Data - Most of the data collected by the researcher was primary data through a structured questionnaire, which was operated on the samples of the investors in Western Rajasthan.

Secondary data- The secondary information was collected from the published sources such as journals, newspapers, magazines and websites.

Research instruments - A summated rating scale format was used, with six choices per item ranging from "highly dissatisfied" to "highly satisfy ". In this all the questions were positively framed to study the impact of independent variable like age, gender and education on the dependent variable which is development of the investors. The six dimensions used in the study where the average of the questions was taken into the consideration.

Analysis of Data - All the data collected from the respondents was feeded and tabulated and the analysis was done through the software of SPSS version 16.

DATA ANALYSIS

ANOVA analysis guidelines for one way ANOVA:

Linearity and Non-Linearity Test by One Way ANOVA:-

First of all it is necessary to use this test here and this test is given preference over vicariate correlation test because, we fear that our dimensions and demographic factor may bear a non-linear relationship with total consumer preferences and as we know to use the correlation coefficient correctly, a relationship between two variables must be approximately linear, when this assumption of linearity is violated, Pearson's product-moment coefficient of correlation or Spearman's correlation coefficient will under estimate the strength of the relationship, that will ultimately result in completely wrong analysis. Therefore in our analysis we prefer to use One Way ANOVA so as test both Linear as well as Non- Linear Relationship. The dependent variable must be scale for accurate analysis. The independent variable cannot be nominal. Therefore, the test cannot be applied on Gender and education which are the part of Demographic variable

Now, if in the test for homogeneity of variance and the significance value is more than 0.05 than simply One way anova table will be checked, if there the significant value is less than 0.05 then Tukey HSD Post-hoc comparison for individual group difference will be checked if it shows the significant value less than 0.05 than the individual group differs.

It is mandatory to look for test for homogeneity of variance only when the group is of nearly equal size. Welch test is more accurate than Brown-Forsythe test hence it would be given priority during analysis. For all those independent variables where homogeneity constraints was satisfied Tukey table for Post hoc comparison is shown and where robust estimates of Welch and Brown-Forsythe are looked, there Tamhane table for Post hoc comparison is shown (Monday, Klein, Lee, 2005).

Tests of Normality

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Total_avg_dimensions_of_investors_perceptions	.049	144	.200*	.993	144	.676

Analysis- The value of sigma in Shapiro-Wilk is more than .05 so the data is normal.

ONEWAY ANALYSIS OF TOTAL AVERAGE DIMENSION OF INVESTORS PERCEPTION BY GENDER

Descriptive

Total_avg_dimensions_of_investors_perceptions

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1	67	17.7070	3.36424	.41101	16.8864	18.5276	10.53	25.97
2	77	21.3084	3.28367	.37421	20.5631	22.0537	13.73	27.85
Total	144	19.6328	3.76880	.31407	19.0119	20.2536	10.53	27.85

Analysis – The group 1 is female and the group 2 is male. There are 77 male investors as respondents of mutual fund investors.

Test of Homogeneity of Variances

Total_avg_dimensions_of_investors_perceptions

Levene Statistic	df1	df2	Sig.
.015	1	142	.902

Analysis – The value Levene Statistic is more .05 so the groups are homogenous.

ANOVA

Total_avg_dimensions_of_investors_perceptions

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	464.691	1	464.691	42.124	.000
Within Groups	1566.465	142	11.031		
Total	2031.156	143			

Analysis - The value of sigma is less than .05 which shows that the groups are differing.

Robust Tests of Equality of Means

Total_avg_dimensions_of_investors_perceptions

	Statistica	df1	df2	Sig.
Welch	41.982	1	138.265	.000
Brown-Forsythe	41.982	1	138.265	.000

a. Asymptotically F distributed.

Contrast Coefficients

Contrast	Gender	
	1	2
1	.5	-.5

Contrast Tests

	Contrast	Value of Contrast	Std. Error	t	df	Sig. (2-tailed)
Total_avg_dimensions_of_investors_perceptions	Assume equal variances	-1.8007	.27745	-6.490	142	.000
	Does not assume equal variances	-1.8007	.27792	-6.479	138.265	.000

Analysis -Both the male and female groups differ in their perceptions towards the staff services.

ONEWAY ANALYSIS OF TOTAL AVERAGE DIMENSION OF INVESTORS PERCEPTION BY AGE

Descriptive

Total_avg_dimensions_of_investors_perceptions

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1	46	16.4192	2.54763	.37563	15.6626	17.1758	10.53	21.00
2	54	19.5781	3.20058	.43554	18.7045	20.4517	11.60	27.85
3	44	23.0595	2.17975	.32861	22.3968	23.7222	18.62	27.65
Total	144	19.6328	3.76880	.31407	19.0119	20.2536	10.53	27.85

Analysis – Here group-1 is with age of 20-30 years, group-2 is with age of 30-40 years, group 3 with age of 40-50 years. There are 54 respondents in the age group of 30-40 years.

Test of Homogeneity of Variances

Total_avg_dimensions_of_investors_perceptions

Levene Statistic	df1	df2	Sig.
1.795	2	141	.170

Analysis – The value Levene Statistic is more .05 so the groups are homogenous.

ANOVA

Total_avg_dimensions_of_investors_perceptions

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	991.864	2	495.932	67.283	.000
Within Groups	1039.292	141	7.371		
Total	2031.156	143			

Analysis – The value of sigma is less than .05 which shows that the groups are differing.

Robust Tests of Equality of Means

Total_avg_dimensions_of_investors_perceptions

	Statistica	df1	df2	Sig.
Welch	88.606	2	93.802	.000
Brown-Forsythe	70.251	2	136.524	.000

a. Asymptotically F distributed.

POST HOC TESTS

Multiple Comparisons

Dependent

Variable:Total_avg_dimensions_of_investors_perceptions

	(I)	(J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	1	2	-3.15888*	.54473	.000	-4.4492	-1.8686
		3	-6.64027*	.57250	.000	-7.9964	-5.2842
	2	1	3.15888*	.54473	.000	1.8686	4.4492
		3	-3.48138*	.55138	.000	-4.7874	-2.1753
	3	1	6.64027*	.57250	.000	5.2842	7.9964
		2	3.48138*	.55138	.000	2.1753	4.7874

* The mean difference is significant at the 0.05 level

Homogeneous Subsets

Total_avg_dimensions_of_investors_perceptions

	age	N	Subset for alpha = 0.05		
			1	2	3
Tukey HSD ^a	1	46	16.4192		
	2	54		19.5781	
	3	44			23.0595
	Sig.			1.000	1.000
Tukey B ^a	1	46	16.4192		

2	54		19.5781	
3	44			23.0595

Analysis – The group with age level of 20-30 is least satisfied with the perceptions of staff of financial firms

ONEWAY ANALYSIS OF TOTAL AVERAGE DIMENSION OF INVESTORS PERCEPTION BY INCOME

Descriptive

Total_avg_dimensions_of_investors_perceptions

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1	31	15.5043	2.15878	.38773	14.7125	16.2961	11.10	19.32
2	47	18.0816	2.48338	.36224	17.3524	18.8107	10.53	22.32
3	33	21.5040	1.87853	.32701	20.8379	22.1701	18.62	25.97
4	33	23.8490	2.17289	.37825	23.0785	24.6195	19.68	27.85
Total	144	19.6328	3.76880	.31407	19.0119	20.2536	10.53	27.85

Analysis – The group -1 is with the income level of 1-2 lakhs, group-2 is with income level of 2-3 lakhs, group-3 is with income level of 3-4 lakhs, group- 4 is with the income level of above 4 lakhs. The respondents of 47 are in the category of group -2

Test of Homogeneity of Variances

Total_avg_dimensions_of_investors_perceptions

Levene Statistic	df1	df2	Sig.
.523	3	140	.667

Analysis – The value Levene Statistic is more .05 so the groups are homogenous.

ANOVA

Total_avg_dimensions_of_investors_perceptions

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1343.645	3	447.882	91.204	.000
Within Groups	687.511	140	4.911		
Total	2031.156	143			

Analysis – The value of sigma is less than .05 which shows that the groups are differing.

Robust Tests of Equality of Means

Total_avg_dimensions_of_investors_perceptions

	Statistic ^a	df1	df2	Sig.
Welch	93.930	3	75.337	.000
Brown-Forsythe	94.817	3	136.970	.000

a. Asymptotically F distributed.

Post Hoc Tests

Multiple Comparisons

Dependent Variable:

Total_avg_dimensions_of_investors_perceptions

	(I)	(J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	1	2	-2.57726 [*]	.51274	.000	-3.9105	-1.2441
		3	-5.99974 [*]	.55428	.000	-7.4410	-4.5585
		4	-8.34469 [*]	.55428	.000	-9.7859	-6.9035
	2	1	2.57726 [*]	.51274	.000	1.2441	3.9105
		3	-3.42248 [*]	.50329	.000	-4.7311	-2.1139
		4	-5.76743 [*]	.50329	.000	-7.0761	-4.4588
	3	1	5.99974 [*]	.55428	.000	4.5585	7.4410
		2	3.42248 [*]	.50329	.000	2.1139	4.7311
		4	-2.34495 [*]	.54555	.000	-3.7635	-.9264

4	1	8.34469 [*]	.55428	.000	6.9035	9.7859
	2	5.76743 [*]	.50329	.000	4.4588	7.0761
	3	2.34495 [*]	.54555	.000	.9264	3.7635

* The mean difference is significant at the 0.05 level

Homogeneous Subsets

Total_avg_dimensions_of_investors_perceptions

		N	Subset for alpha = 0.05			
income			1	2	3	4
Tukey HSD ^a	1	31	15.5043			
	2	47		18.0816		
	3	33			21.5040	
	4	33				23.8490
	Sig.			1.000	1.000	1.000
Tukey B ^a	1	31	15.5043			
	2	47		18.0816		
	3	33			21.5040	
	4	33				23.8490

Analysis- the group-1 with the income level of 1-2 lakhs is least satisfied

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
avg_dimension_reliability	144	3.7472	.75131	.06261
avg_dimension_responsivenss	144	4.1094	.59772	.04981
avg_dimension_assurance	144	3.2407	.57525	.04794
avg_dimension_competency	144	2.9809	.62374	.05198
avg_dimension_accessibility	144	2.8028	.63861	.05322
avg_dimension_empathy	144	2.7517	.60048	.05004

One-Sample Test

	Test Value = 3.272					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
avg_dimension_reliability	7.590	143	.000	.47522	.3515	.5990
avg_dimension_responsiveness	16.811	143	.000	.83738	.7389	.9358
avg_dimension_assurance	-.652	143	.515	-.03126	-.1260	.0635
avg_dimension_competency	-5.600	143	.000	-.29110	-.3938	-.1884
avg_dimension_accessibility	-8.817	143	.000	-.46922	-.5744	-.3640
avg_dimension_empathy	-10.397	143	.000	-.52026	-.6192	-.4214

Analysis – The Test shows T-Test shows that the investors have the negative perceptions for empathy, accessibility and competency of the staff of the financial institutions for mutual fund investment firms in Western Rajasthan.

RESULTS OF THE HYPOTHESIS TESTING

Hypothesis	ANOVA	Status
Null Hypothesis -H ₀₁ : There is no significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by gender.	Sigma of F-Test is < 0.05	Reject
Alternative Hypothesis -H ₀₁ : There is a significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by gender.	Sigma of F-h Test <0.05	Accept
Null Hypothesis -H ₀₂ : There is no significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by age.	Sigma of F-Test <0.05	Reject
Alternative Hypothesis -H ₀₂ : There is a significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by age.	Sigma of F-Test <0.05	Accept

Null Hypothesis -H ₀₃ : There is no significant difference about investor's perception and skills development amongst investors classified by income.	Sigma of F-Test <0.05	Reject
Alternative Hypothesis -H ₀₃ : There is a significant difference about investor's perception and financial expertise of the mutual fund services providers amongst investors classified by income.	Sigma of F-Test <0.05	Accept

INFERENCES AND IMPLICATIONS

The research indicates that all the groups classified by age, gender and income differ in their perceptions towards the financial expertise of the service providers of the various firms of Western Rajasthan. The T- Test shows that the dimensions like accessibility and competency need to be improved and modified to attract the investors and improve the quality of services by the mutual fund providers.

The strategy to enhance the development of the investors:-

- The financial institutions and the firms need continuous improvements because of the changing needs of the business and the market to upgrade the skills and competencies.
- The financial and the mutual fund firms should design innovative investment products to enhance the investor's choices and interest with more return and security.
- Diversity of specialization should be added to the variety of financial products to enhance the investment, growth and development.
- Skills differentiation of the employees can enhance the image and reputation of the firm's brand in the society.
- The promotion should be done by building the awareness in the minds of the customers and the investors.
- The advisors should talk about the customer's investment objectives and tolerance for risk.
- Financial Institutions should make clear and specific recommendations and also explain the reasons for the recommendations.
- Financial Institutions should point out the strengths and weaknesses of potential investments.
- Financial Institutions should outline the risks involved.
- The adviser should not make promises about a fund's performance based on false assumptions.

CONCLUSION

The financial institutions are essential for the better management of the social and economic system of any society. The economic and social security can be enhanced by right investment to generate the money and wealth to the economy. The financial institutions and Mutual funds have to provide quality and innovative options of giving high returns and security to the customers of Western Rajasthan. The impact of Globalization has given new challenges to the financial system of the country as well as Western Rajasthan. The financial transactions have crossed the national boundaries. The value of investment can be enhanced by building the relationship based on trust and faith. The long term relationship can be managed by the personalized communication process and by giving the honest information through the websites and the brochures.

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