

MEASURING BUYING BEHAVIOR OF RURAL INVESTORS FOR MUTUAL FUND

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ABSTRACT

This paper examines the Investor buying behavior of rural investors for financial assets specifically focused on mutual fund. As mutual funds are working as one of the key resource mobiliser in economy it also plays significant role in transmission of excess money of the investor to the borrower corporate houses. The paper also concentrates on how demographical factors affects the decision making process of investors. For the study purpose 100 respondents were surveyed in Sept./Oct. 2012. It was found that there is significant impact of demographical factors like Age, Gender, Occupation, Education and income on the decision making process to buy mutual fund. For better understanding of the impact of the factors affecting decision making process of investors ranking of the factors were done. It was found that rural investors used relied heavily on financial advisor/planner so it is first in the category, after considering financial planner the investors laid second importance to risk and return profile of the mutual fund, next was the past performance of the fund and income planning was forth and finally it was brand the fifth one.

KEYWORDS: Buying Behavior, Rural Investors, Mutual Fund

INTRODUCTION

In simple term buying behavior is process in which buyer tend to consume product or service to satisfy his/her wants. The behavior of the Investor can be affected by many of internal as well as external environment. Brand name of AMC, Advertisement, risk and return profile of the investment, quality of goods or service etc. all this factors plays crucial role in determining the decision making process of investor. Several researches have been carried out to understand the buying behavior of rural investor and to identify factor affecting investors' decision making process for the investment. Earlier, the trend was trader oriented, in which trader decides what to sell now it is customer oriented- what customer need. With application of reforms in India economy, there has been intensified changes in the structure. Before 1991, it was closed economy, buyers had very limited choices. Since reforms have been carried out private player were allowed to enter the economy and can start the business without much complications. Investors had wide choice for their future financial planning. Many financial options mentioned their presence in the economy when financial sector started to get reformed

LITERATURE REVIEW

In simple sense mutual fund is nothing but "Mutually Collected Funds". It is one kind intermediary, which perform the task of transferring the funds from those individual who have excess of amount in their hands and want to invest somewhere according to their taste of risk and return, tenure of investment etc.

- Sikidar and Singh (1996) conducted a survey to understand the behavioral aspects of the investors of North Eastern Region towards mutual fund, according to them investor do invest in mutual fund mostly to save the tax.

- With application of reforms in India many private financial institutions have joined India to do good business as there are many investment opportunities available with good return. The firms should follow consumer distributor model of India to tap Indian consumers
- Raja (1998) examined several Investors and found that there is impact of demographical variables such as age, gender, income etc.
- Investment in any financial assets requires some background study of behavior of financial product which includes the past performance of fund, investor select fund on the previous year's performance of the fund. Bogle (1992) and Ippolito (1992).
- According to Lu Zheng (1999) majority of Investors, making purchase in mutual fund; do invest on the basis of short-term future performance and they use fund specific information for their selection decision.
- Anand and Murugalah (2004) explored that, in order to attract Investor, financial industries requires innovation in developing and delivering financial services to survive and even to earn profit.
- Investment in mutual fund by investors depends on many factor, investment strategy of fund house, past performance etc., which would attract the investor to invest in such funds.
- Roa (2011) mentioned in his studies that regulating authority of financial markets like SEBI, AMFI, IRDA should take more responsibility to boost investor knowledge for more rational decision like "Investors Awareness Programme" managed by SEBI

LIMITATION OF STUDY

- The study is limited to 100 respondents only, from surrounding regional rural areas of Valsad District located in Gujarat. The findings of research may not apply to the Gujarat state or the country.
- The Investors buying pattern keeps changing with the introduction of new innovation in terms of product, price, place and promotion. If there is introduction of new financial product, investors buying behavioural pattern may change.

OBJECTIVES OF RESEARCH

- To assess the impact of various demographical factors like Age, Gender, Income, Education, Occupation etc. on Investor buying behavior of surrounding rural areas of valsad district.
- To study and rank the factor having implications on Investor buying behavior towards mutual fund.

HYPOTHESIS DEVELOPMENT

H1: There is no impact of demographical profiles of Rural Investors on their buying behaviour while purchasing mutual fund.

RESEARCH DESIGN

This research is **Descriptive type** of research study. It is related to the analysis of Investor buying behavior of

Surrounding Rural Areas of valsad district for financial assets specifically focused on mutual funds. 100 Investors were surveyed with the help of structured questionnaire.

SOURCE OF DATA

- Primary data is collected through structured questionnaire.
- Secondary data is collected through AMFI report, journals, reports of RBI

DATA COLLECTION METHOD

Primary data is collected through structured questionnaire by face to face interview. While secondary data is collected from various websites of institutions like AMFI, RBI and financial journals time to time.

SAMPLING PLAN

- Population – Valsad District
- Surrounding Rural Areas (villages) includes – Lilapore, Dharampur, Pardi, Atul etc
- Sampling Unit – Retail Investors
- Sampling Method – Non-Probability sampling Specifically Convenient sampling
- Sample size – 100

ANALYTICAL TOOLS APPLIED – SPSS 17

Statistical Tools & Techniques Applied

There are several techniques available to analyze data and to draw a conclusion. For this purpose chi-square goodness of fit is used to judge the phenomena.

DATA ANALYSIS AND INTERPRETATION

Table 1

Demographic Factor	Null Hypothesis – H ₀	χ^2 df	P Value	Accept/Reject	Difference
Age	No significant relation	χ^2 df(6) 102.491,	p<0.05	Reject	Significant
Gender	No significant relation	χ^2 df(3) = 18.660	p<0.05	Reject	Significant
Occupation	No significant relation	χ^2 df(15) = 159.818	p<0.05	Reject	Significant
Marital Status	No significant relation	χ^2 df(3) = 52.978	p<0.05	Reject	Significant
Income	No significant relation	χ^2 df (6) = 90.556	p<0.05	Reject	Significant
Education	No significant relation	χ^2 df(6) = 128.015	p<0.05	Reject	Significant

ANALYSIS OF INVESTORS BUYING BEHAVIOR TOWARDS MUTUAL FUND OF SURROUNDING RURAL REGION OF VALSAD DISTRICT

- The study revealed that out of 100 respondents 0% (0) respondents were below age of 18 years, 40% (40) of the respondents were in the age group of 18-30 years, 48% (48) of the respondents were in the age group of 31-50 years, 12% (12) respondents were in the age group of above 50 years.
- Under the gender category, out of 100 respondents, 95% (95) were male and 5% (5) were female.
- As per the occupation out of 100 respondents 9% (9) were professionals, 25% (25) were business persons, 13% (13) were govt. servant, 2% (2) were students, 49% (49) were having private service, and 2% (2) respondents were retired.
- As far as education is concerned, 24% of the respondents were in the category of U.G., 50% of the respondents were in the category of Graduation and 26% (26) respondents were having degree of P.G. and above.
- As per marital status 87% (87) respondents were married, 13% (13) were unmarried.
- As far as monthly income is concerned 27% (27) of the respondents fall in the category of income group below 10,000/- P.M., 62% (62) of respondents fall in the category of 10,000 to 30,000 and remaining 11% (11) respondents fall under the category of above 30,000 monthly income brackets.

Identification of Factors Affecting Decision Making Process of Investment for Mutual Fund

The basic objective behind conducting the study is to determine the impact of factors which affect the investor's decision making for mutual fund. For this purpose several categories were developed like Risk and Return appetite, Brand of the mutual fund, financial planner/advisor's role, and past performance of the mutual fund. In a structured questionnaire these options were asked to provide ranking according to their priority.

Table 2

Factors Affecting Investment Decision of Surrounding Rural Regions for Mutual Fund						
Factors	No. of Respondents					Total
	Least	Low	Medium	High	Highest	
Brand	54	19	11	8	8	100
Risk & Return Profile	9	12	21	25	33	100
Role of Financial Advisor	10	4	27	21	38	100
Past Performance	10	18	15	37	20	100
Tax Consideration	17	47	26	9	1	100
Total	100	100	100	100	100	

Now, for analyzing various factors responsible for investment in mutual fund, ranking is done on the basis of weighted scores. Scoring is done as per following. Rank 1-1 weight, Rank 2-2 weight, Rank 3-3 weight, Rank 4-4 weight and Rank 5-5 weight.

Table 3

Ranking of Various Factors			
Factors	Weighted Scores	Percentage	Rank
Brand	197	13.13	5
Risk & Return Profile	361	24.07	2
Role Of Financial Advisor	373	24.87	1
Past Performance	339	22.60	3
Tax Consideration	230	15.33	4

CONCLUSIONS & RECOMMENDATION

Measuring Buying Behavior of rural investors of Valsad District for Financial Asset specifically focus on Mutual Fund was undertaken to identify investors buying behavioral pattern. The study was conducted in Sept/Oct. 2012. It has shown that different demographical factors have influence on buying behavioral pattern of investor. The study shows that each demographical (age, gender, income, educational qualification, occupation etc.) factor had significant bearing on rural investors buying behavioral process.

The study revealed that, decision making process for investment in mutual fund for rural investors is affected by several factors. At first place they placed financial advisor/agent, risk and return appetite was placed on second priority, past performance secured at third place, saving of the income tax was the fourth priority and brand of the financial product does not have much significance hence stayed at no.5 position. Commissions and other benefits can be given to financial planner to generate more investment in mutual fund. The reason behind more importance of financial planner is that, he is the ultimate person known to the investor and on whom investors can trust.

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