

Impact Of Retail Investors Opportunities On Mutual Funds In Andhra Pradesh

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Abstract

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. The study investigated the impact of retail investors opportunities on mutual funds, concluded that retail investors opportunities significantly impact on mutual funds in Andhra Pradesh. Conclusion drawn from the test of difference was that no significant difference existed on the factor of retail investors opportunities of mutual funds across gender, age, occupation, qualification and income are accepted.

Key Words: Retail Investors, Opportunities, Mutual Funds and Andhra Pradesh.

Introduction

In the kingdom of households, one of the biggest trends that have arisen in the past 20-25 years is disintermediation sometimes called disaggregation of financial services. Householders are being called upon to make complex and important financial decisions that they did not have to make in the past. A prime instance in the investment management area is in providing for retirement. In the past, people had defined benefit pension plans provided by their employers. Pension plans specified benefits as a fraction of final pay scale before retirement and require no management on the part of the householder. For some time, the trend had been to replace these plans with defined contribution plans in which employee must decide on the mix of investments. In today's world, the householder confronts lots of opportunities and financial product choices. Although having choices is nice, it is also a quite daunting task to select among them. How do households get the necessary knowledge and expertise to execute effective plans is a great matter of concerns? The approach to saving and retirement planning simply hands out all the parts of the task to householders. Investors must make all the decisions and assemble the product parts to minimize risk.

Review of Literature

Ranganathan, K. (2006) conducted a study to assess the awareness of mutual funds among investors, to identify the information sources influencing the buyer decision and the factors influencing the

choice of a particular fund. The study revealed that income schemes and open-ended schemes are preferred over growth schemes and close-ended schemes during the prevalent market conditions. Investors look for safety of principal, liquidity and capital appreciation in order of importance; newspapers and magazines are the first source of information through which investors get to know about mutual funds schemes and investor service is the major differentiating factor in the selection of mutual funds. **Jain and Mehra (2012)** conducted their study in the state of Rajasthan to check the awareness among the management academicians about mutual funds, their concept and the services they provide. The results showed a low level of awareness about mutual funds in Rajasthan among management academicians. If the awareness is spread among the management academicians, they can pass it on to their students which will help the industry to achieve new heights. Hence there is a vast scope and several opportunities were available in the state of Rajasthan. **Dr. D. Rajasekar (2013)** it is mainly carried out to know about the investor's perception with regard to their profile, income, savings pattern, investment patterns and their personality traits. In order to understand the level of investor's preference, a survey was conducted taking into consideration various parameters involved in investors decision making. From the findings, it was inferred overall that the investors are highly concerned about safety and growth and liquidity of investments. Most of the respondents are highly satisfied with the benefits and the service rendered by the reliance mutual funds.

Jariwala, H. (2014) they attempted to study the investors' preference and performance level of Mutual Funds in the present market. A survey had been used to collect primary data from 246 respondents. On statistical analysis of the data it was concluded from that, the awareness level of the respondents regarding mutual funds was very less. People were neither aware of the advantages of mutual fund investment nor its basic functioning. **Nair R K (2014)** in the article Indian Mutual Fund Market a tool to stabilize Indian Economy emphasized that a Mutual store is an effective device to settle Indian economy. The results of mutual funds are assuming an indispensable part in preparing scattered reserve funds among investors and channelize these funds to infrastructural advancement of the country. The banks and Financial Institutions are likewise playing a vital part by advancing mutual reserve business in the country. **Prof Prabhu G. et al (2016)** accepted that Mutual Fund Industry in India is at quick development rate. It is viewed as that Mutual Fund speculations are less unsafe in contrast with interests in different protections. In any case, it has been surmised from the examination that still a few financial specialists have not known about the advantages of putting resources into mutual funds. **Samira, M., & Sathyanaraynan, K. S. (2018)** in their research paper titled -The role of Alternative Investments in Portfolio Management has expressed that dominant part of the respondents had not just indicated better abilities in dealing with their monetary spending plan yet were likewise sure of confronting any money related obstacles in future. He has prescribed that money related training ought to be given at auxiliary and senior optional level of instruction as it was discovered budgetary proficiency and instructive level was connected. Spread s about money related incorporation and budgetary education should be strengthened.

Banga, C., & Gupta, A. (2012) in his book has thrown light regarding the growth of Indian mutual fund industry since its inception. He has elaborated the benefits of the mutual fund investment as well as the risk involved in these investments. In addition, he has explained the regulatory measures involved in mutual fund investments, investment management of mutual fund, and strategies of fund managers which include passive investment strategy and active investment strategy. The book has suggested various ways of improvements in the strategic as well as operational practices of mutual funds are suggested keeping in mind the mechanisms used by the fund managers in developed economies. **Mishra, D. S. K., & Mishra, B. P. (2020)** in their study explained regarding the investor's perception relating to investment schemes offered by popular institutions. The survey was conducted in north Karnataka The study revealed that the

investors strongly agree on the perceptions in case of bank deposits (80%) and life insurance policies (65%). Similarly, a study conducted by the Associated Chambers of Commerce and Industry of India (Assocham) reveals that the investors in future would prefer mutual funds as compared to investing in stock markets because of safer returns and lesser risk as compared to the direct investment in the stock market. (**The Hindu Online edition, 2006**). **Eric M. Engen and Andreas Lehnert (2000)** in their study has pointed out that mutual funds' investments act as an intermediary between households and financial markets, especially the U.S. equity market. **John V. Duca (2005)** in his study has shown that since the early 1990s, the increase in mutual fund investments by U.S. households have increase and they prefer to use mutual funds to own equity assets. The more recent research of **Wermers (2003)** examines the fund portfolio holdings and establishes through the study that fund managers who have recently done well try to perpetuate this performance by investing a large proportion of the new fund money they receive in stocks that have recently done well. **Madhusudhan V Jambodekar (1996)** conducted a study to assess the awareness of Mutual Funds among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions.

Research Problem

The “expectations” of investors play a vital role in the financial markets. They influence the price of the securities, the volume traded and various other financial operations in actual practice. These „expectations“ of investors are influenced by their “perception” and humans generally relate perception to action.

In general rules for investment, the analysis of investment and discussion of financial behavior tend to assume behavior, which is logical and internally consistent in various ways. Investor behavior does not; however, always appear to conform to such expectation norms.

Research Objectives

1. To study the impact of retail investor opportunity on mutual funds.
2. To explore the differences in the retail investors opportunities of mutual funds across demographic variables.

Research Hypothesis

H01: There is no significant relationship between retail investors opportunity on mutual funds.

H02: There is no significant difference in retail investors opportunities on mutual funds with respect to demographic variables.

- H0_{2.1}: There is no significant difference in retail investors opportunities of mutual funds with respect to gender.
- H0_{2.2}: There is no significant difference in retail investors opportunities of mutual funds with respect to age.
- H0_{2.3}: There is no significant difference in retail investors opportunities of mutual funds with respect to occupation.
- H0_{2.4}: There is no significant difference in retail investors opportunities of mutual funds with respect to qualification.

- $H_{02.5}$: There is no significant difference in retail investors opportunities of mutual funds with respect to income.

Research Methodology

Data Sources

Both Primary data and secondary data have been collected for the study.

Primary Data

Primary data was collected from investors through standardized questionnaire to elicit the well-considered opinion of the respondents.

Secondary Data

The secondary data is collected from business periodicals, journals, magazines, publications, reports, books, dailies, research articles, websites, manuals and booklets.

Sample Size

Sample size plays a pivotal role in the accuracy of results and in the appropriateness of chosen statistical technique. This study was conducted with the help of Statistical Packages for Social Sciences (SPSS) version 20.

A total of 300 questionnaires were distributed away among respondents in the state of Andhra Pradesh. After collecting the data from 300 respondents, 75 questionnaires were found defective. So, the study confirmed to 225 sample respondents. (Using convenience sampling method)

Statistical Tools

- Simple Regression
- Z-Test
- One-Way-ANOVA

Data Analysis & Results

Simple Regression

H01: There is no significant relationship between retail investors opportunity on mutual funds.

Table: 1. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.522 ^a	.673	.669	.770	1.905

a. Predictors: (Constant), Retail investors opportunities

b. Dependent Variable: Mutual Fund

The regression table 1: summarizes the model performance through the following statistics.

- **R:** R represents the multiple correlations co-efficient with the range lies between -1 and +1. Since the R-value is 0.522 means that there is a high positive relationship between the retail investors opportunities and mutual funds.

- **R square:** R^2 represents the coefficient of determination which lies between 0 and 1. Since the R square value is 0.673 i.e. 67.3 per cent of the explained variation is there in the retail investors opportunities.
- **Durbin-Watson statistic:** From the above table. 1 the Durbin-Watson statistic value is 1.905. It is closer to the standard value 2. So, that the assumption has almost certainly been met.

Table: 2. ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	49.596	1	49.596	83.632	.000 ^b
	Residual	132.244	223	.593		
	Total	181.840	224			

a. Dependent Variable: Mutual Fund

b. Predictors: (Constant), Retail investors opportunities

The ANOVA (Table 2) reveals that the F statistics of the regression model is statically significant at 0.05 levels implying the goodness of fit of the regression equation. (Model is statistically significant).

Table: 3. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.158	.170		12.694	.000
	Retail investors opportunities	.427	.047	.522	9.145	.000

a. Dependent Variable: Mutual Fund

The simple regression equation of this model is $Y = 0.522X_1$ (Retail investors opportunities) + $2.158(\text{Constant})$

- X_1 = Retail investors opportunities

Table 3. shows Beta value as 0.522 which indicates positive impact of retail investors opportunities on mutual fund. Since the T value is 12.694 and significance value is 0.000 which is less than 0.05 hence retail investors opportunities has a significant impact on mutual funds.

H02: There is no significant difference in retail investors opportunities of mutual funds with respect to demographic variables.

Z-Test

H0_{2.1}: There is no significant difference in retail investors opportunities of mutual funds with respect to gender.

Table: 4. Retail investors opportunities of mutual funds with respect to gender.

Gender	N	Mean	Std. Deviation	Std. Error Mean	Z	Sig.
Male	151	3.53	1.088	.089	1.080	0.03

Female	74	3.35	1.128	.131		
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To analyze the differences in a mean value of retail investors opportunities of mutual funds on the basis of gender, Z-test was applied. It was noted that the mean value for a male is 3.53 and for a female is 3.35. This indicated that the males have high level opportunities on the mutual funds than females. Since, Z value is 1.080 and significance=0.03 less than to 0.05, which indicated there is a significant difference. Hence, null hypothesis $H_{02.1}$: Stating that there is no significant difference in retail investors opportunities of mutual funds with respect to gender is rejected. This specifies that there is a significant difference in retail investors opportunities of mutual funds with respect to gender.

One-Way-ANOVA

Table: 5. Descriptive Statistics of retail investors opportunities of mutual funds with respect to age, occupation, qualification and income.

		N	Mean	Std. Deviation	Std. Error
Age	20-30	52	3.04	1.047	.145
	31-40	71	2.83	1.195	.142
	41-50	46	2.72	1.089	.161
	>50	56	2.13	.992	.133
	Total	225	2.68	1.136	.076
Occupation	Self-Employed	75	2.83	.857	.119
	Salaried	46	2.65	.912	.108
	Student	41	2.59	.686	.101
	Others	63	2.77	.713	.095
	Total	225	2.71	.809	.054
Qualification	Undergraduate	79	2.13	.793	.110
	Postgraduate	98	2.31	.667	.079
	Others	48	2.11	.640	.094
	Total	225	2.19	.695	.046
Income	<25000	76	3.19	1.269	.176
	25000-50000	67	2.93	1.345	.160
	50001-75000	11	2.70	1.227	.181
	75001-100000	71	3.16	1.187	.159

	Total	225	3.00	1.271	.085
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Table: 6. ANOVA of retail investors opportunities of mutual funds with respect to age, occupation, qualification and income.

		Sum of Squares	Df	Mean Square	F	Sig.
Age	Between Groups	25.614	3	8.538	7.165	.000
	Within Groups	263.346	221	1.192		
	Total	288.960	224			
Occupation	Between Groups	1.866	3	7.622	1.950	.041
	Within Groups	144.774	221	1.655		
	Total	146.640	224			
Qualification	Between Groups	1.606	3	7.535	1.110	.022
	Within Groups	106.554	221	1.482		
	Total	108.160	224			
Income	Between Groups	7.982	3	6.661	1.661	.000
	Within Groups	354.018	221	1.602		
	Total	362.000	224			

H0_{2.2}: There is no significant difference in retail investors opportunities of mutual funds with respect to age.

To analyze the differences in a mean value of retail investors opportunities of mutual funds on the basis of age, One-way ANOVA was applied. It was noted that the investors belong to the age group of below 20-30 years was obtained maximum mean value of 3.04. This indicates that the investors belong to this age group have high opportunities level on the dimension of mutual funds however the investors belong to the age group of above 50 years showed less satisfaction (mean=2.13), as compared to other age groups of investors. The result of One-way ANOVA test shows F value=7.165 and significance=0.000 which is less than 0.05, which indicates there is a significant difference. Hence, null hypothesis H0_{2.2}: Stating that there is no significant difference in retail investors opportunities of mutual funds with respect to age is rejected. This specifies that there is a significant difference in retail investors opportunities of mutual funds with respect to age.

H0_{2.3}: There is no significant difference in retail investors opportunities of mutual funds with respect to occupation.

To analyze the differences in a mean value of retail investors opportunities of mutual funds on the basis of occupation, One-way ANOVA was applied. It was noted that the self-employed have obtained the maximum mean value of 2.83. This indicates that the self-employed have high awareness level on the mutual funds however the students show less opportunities (mean =2.59) as compared to salaried and others. The result of One-way ANOVA test shows F value= 1.950 and significance= 0.041 which is less than 0.05, which indicates that there is no significant difference. Hence, null hypothesis H0_{2.3}: Stating that there is no significant difference in retail investors opportunities of mutual funds with respect to occupation

is not rejected. This specifies that there is no significant difference in retail investors opportunities of mutual funds with respect to occupation.

H_{02.4}: There is no significant difference in retail investors opportunities of mutual funds with respect to qualification.

To analyze the differences in a mean value of retail investors opportunities of mutual funds on the basis of qualification, One-way ANOVA was applied. It is noted that the postgraduates have obtained the maximum mean value of 2.31. This indicates that the investors who are postgraduates have high opportunities level on the mutual funds however the investors who are others show less satisfaction (mean =2.11) as compared to undergraduates. The result of One-way ANOVA test shows F value=1.110 and significance= 0.022 which is less than 0.05, which indicates there is a significant difference. Hence, null hypothesis H_{02.4}: Stating that there is no significant difference in retail investors opportunities of mutual funds with respect to qualification is rejected. This specifies that there is a significant difference in retail investors opportunities of mutual funds with respect to qualification.

H_{02.5}: There is no significant difference in retail investors opportunities of mutual funds with respect to income.

To analyze the differences in a mean value of as a dimension of retail investors opportunities of mutual funds on the basis of income, One-way ANOVA was applied. It was noted that the investors belong to the income group of ₹ <25000 have obtained maximum mean value of 3.19, this indicates that the investors of this income group have high opportunities level on the dimension of mutual fund whereas the investors belong to the income group of ₹50001-75000 (mean=2.70) show less awareness compared to other income groups. The result of One-way ANOVA test shows F value = 1.661 and significance = 0.000 which is less than 0.05, which indicates there is a significant difference. Hence, null hypothesis H_{02.5}: Stating that there is no significant difference in retail investors opportunities of mutual funds with respect to income is rejected. This specifies that there is a significant difference in retail investors opportunities of mutual funds with respect to income.

Suggestions

Present research identifies key variable that helps to understand what perceived to be the opportunity to invest in mutual funds by retail investors. Research reveals that future benefits and return with safety have been given prime importance by respondents. The output for opportunity study would help companies to access key important variables while designing a product for target customers considering socio economic variables, which ultimately would help companies to penetrate mutual funds market successfully.

Conclusion

The study investigated the impact of retail investors opportunities on mutual funds, concluded that retail investors opportunities significantly impact on mutual funds. Conclusion drawn from the test of difference was that no significant difference existed on the factor of retail investors opportunities of mutual funds across gender, age, occupation, qualification and income are accepted.

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