Market Tendency, Investor Expertise and
Return Prospect of Mutual Funds

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ABSTRACT

Mutual Funds in India are witnessing growth and investors now look beyond banks and bullion market. 159 mutual fund investors were surveyed in the Chennai city. Purposive sampling technique was used. The primary data was collected through a well structured and tested questionnaire and secondary date collected from various books, journals, articles and magazines. The structured questionnaire elicited information regarding demographics, market tendency, investor expertise, return prospects of mutual funds and investor contentment. The data was analysed through various statistical tools which includes Regression analysis and One-way Analysis of Variance etc, were executed to assess the impact of chosen variables on investor contentment and to analyse the impact of monthly overall income groups in terms of perception. The necessary discussions and findings, conclusion is provided.

Keywords: Mutual Funds, Investors, Expertise, Returns, Market Tendency.

INTRODUCTION:

The Assets under Management of the mutual fund industry in India was estimated to be twenty-four lakh crores as of November 2018 (web 1). This showed a rise of thirteen percent as compared with the previous year. The number of investors grew by more than a crore in the same period. A decline was observed for the asset size. The mutual fund industry faced rough weather in the wake of the IL and FS default and a blow to the NBFC sector. Growth rate was also slower due to volatile markets. However, SEBI is expected to take some measures to boost growth in 2019. There seems to be a higher proportion of inflows through Systematic Investment Plans. The growth can be further fostered through efficient geographical penetration and use of upgraded technology.

REVIEW OF LITERATURE:

Market Tendency:
Patel and Khan (2018) examined the digital sales strategies adopted by Indian mutual fund companies to sustain in a volatile, uncertain, complex and ambiguity (VUCA) world. It was found that sales and distribution is increasingly becoming a main component in defining the success of mutual fund firms. Results showed that mutual funds firms are actively adopting various digital based strategies to make publicity and sale of units. The most popular form of digital sales strategies includes social media, search engine optimization, blogs, and online reputation management. Moreover, display campaigns and retargeting, e-mails, are webinars, are also used for smooth operation and marketing of mutual funds. Findings showed that digital selling strategy increases competitive advantage and assists in volatile, uncertain, complex and ambiguity circumstances. It was concluded that digital sales strategies have positive association in volatile, uncertain, complex and ambiguity market movements.
Shaw (2017) examined the growth of mutual fund industry in India. This study highlighted that there are many

alternatives of investment available to the general people. They may invest in post office savings plan, bank deposits, capital market, mutual funds, and so on. Moreover, investors can be classified into risk averters, risk neutrals, and risk takers; hence investment motive is differing from person to person. Results showed that mutual fund blends the benefit of stock market investment, diversified portfolio, and constant income. Finding revealed that these features attract the investor across different segments. Therefore, the entry of new investors into mutual fund investments is the real cause for growth of mutual fund industry. It was concluded that growth of mutual fund maintains stability of financial system of the economy.

Sineni and Reddy (2017) endeavoured to examine the recent trends in the mutual fund sector in India. This study showed that money market funds, gilt, debt oriented, equity, balanced, gold, ETFs, and fund of funds are recently launched under various names. Mutual fund sector consists of public, private and foreign players. Results revealed that private sector and foreign companies are gradually increasing their market size by offering various schemes. Findings revealed that mutual funds provide various benefits to the different segments of investors. It was found that flexibility, transparency, affordability, and regulatory support are also key benefits for investors. In addition to that recent trends in mutual fund investments, such as entry and exit formalities, certification compliance, innovation in schemes increases its performance. It was concluded that recent trends protect the interests of investors.

Kumar (2016) investigated the market penetration and investment pattern of mutual funds in India. This study showed that there is ample opportunity for mutual funds to penetrate among various investor segments. The investment model influences various industries in a country, and the structure of investments can significantly affect the sectoral composition and structure of the economy. Findings showed that the mutual fund industry is growing steadily owing to efforts of investor education from mutual fund companies and regulators. Results also showed that the mutual funds manage several schemes to meet the demands of investors. It was found that sectoral funds attract investors with its promising composition and investment structure. It was concluded that there is a high degree of market penetration, and investment pattern attract investors to invest in mutual funds.

Investor Expertise:

Senthamizhselvi and Ram (2018) examined the influence of demographic factors on mutual funds. This study revealed that Indian mutual fund experiences a high growth because of savings and investment habit of investors. Moreover, the infrastructure development, innovation in investment instruments, and investor friendly policies supports for the development of investment. Findings revealed that investor prefer more on mutual fund investments due to its sophisticated features. Investors' knowledge on type of scheme, purchase of units, risk, source of information, and problems in mutual funds guides them to make effective decisions. However, investment decisions are often influenced by the demographics such as age, gender, income, education, size of family and so on. Findings showed that volume and choice of investment is mostly determined by the demographic variables of investors.

Bajracharya and Mathema (2017) examined investors' preference towards mutual funds in Nepal. This study highlighted that the main motive behind mutual fund investment is to earn handsome returns with comparatively low risk. Results of the study revealed that investors have high knowledge on safety, liquidity, and growth potential of mutual funds. Moreover, investor has complete information on flexibility, diversification, and professional fund managers. Furthermore, investors have knowledge on risk intensity, expenses charged, and lock-in period of mutual fund investments. Findings showed that investors with limited knowledge may struggle to generate returns from their investments. Therefore, knowledge on transparency in fund management, portfolio composition, and asset selection of mutual funds guides to make better income. It can be concluded that investors lacking in sufficient knowledge should equip themselves with relevant skills to benefit from this market.

Chaitra and Chakraborthy (2017) attempted to measures the perception and knowledge of mutual fund investors. This study emphasised that investor have comprehensive knowledge on mutual fund investment. Results showed that investor seek fund performance and reputation of mutual fund before making investment decisions. It was found that past performance, tax benefit, investor awareness, fund rating, agent recommendation, and market conditions contribute knowledge to the investors. Findings showed that investors have better knowledge on inflation, political environment, and other investment activities. Moreover, investors have sufficient information relating to role of sponsor and fund manager in managing funds for the investors. Findings also indicated that knowledge on different mutual funds schemes and its suitability according to risk appetite increases investors' generating ability. It was concluded that investor knowledge and perception guide to earn superior returns to the investor.

Gupta and Maheswari (2017) evaluated the performance of diversified equity mutual funds with special emphasis on large and mid-cap schemes. This study showed that investors choose a fund based on their knowledge, investment goals, risk tolerance, and expected returns. The study showed that the selected schemes bring higher

profits when compared with market index. It was also found that the average income generated by large-cap funds ranges from sixteen to twenty-two percent, depending on the year of investment. Moreover, mid-cap funds also provided a slightly equal return. The results showed that the possibility of making return largely depends on the experience of the fund manager and the composition of the fund portfolio. It can be concluded that investors expect high level of return on investment in both medium and large cap schemes, therefore investor knowledge guide to achieve superior returns.

Return Prospect of Mutual Funds:
Rathnamani and Ravichandran (2018) aimed to analyse the performance of liquid mutual fund schemes. This study showed that mutual fund investments have intense return prospect on its investments. Liquid schemes are aimed at offering high level of liquidity and safety of principal to the investors. Therefore, fund manager allocates high-credit quality debt securities as per the investment objective of the fund. Results revealed that liquid schemes ensure consistent income and safer sanctuary to the conservative investors. Moreover, the return potential of debt schemes is much lower than equity schemes, but offer consistent return to its investors. Findings indicated that liquid fund is assumed as best due to the ease of entry and exit formalities. It was concluded that liquid schemes of mutual fund provide a satisfied return to investors.

Ravichandran and Jayraj (2017) investigated the performance of mutual funds schemes in India. This study considered the twenty open-ended and diversified equity schemes during the recent five-year time period. This study utilised daily closing value of NAV of equity schemes. This study widely used Sensitive Index as benchmark index to make comparison with market portfolio. Results of the study revealed that Sharpe measure shows efficient performance to most of the schemes but in case of Treynor ratio only four schemes perform well in the market. Moreover, Jensen's alpha has positive performance indication, which certifies that all funds generate extraordinary returns. It was concluded that fund performance is found positive and performance of the equity schemes is found satisfactorily during this period.

Rath (2016) endeavoured to evaluate the performance of mutual funds in India. This study revealed that capital gain, return, safety, and secured future influence the mutual fund investment decisions of investors. This study also revealed that investor prefers short-term funds than long-term and medium-term funds in mutual funds. The main reason for investing into SBI mutual fund is diversification, return potential, variety of schemes, tax benefit and transparency. It was found that SBI is the largest bank-sponsored mutual fund; it has desirable track record in investments and reliable wealth creation. Findings revealed that equity funds and growth funds performance is much higher than liquid and debt funds. Moreover, it was found that schemes of SBI mutual funds offer regular and constant returns to the investors. It was also concluded that performance of SBI is found to be at a satisfactory level.

Venkataraman and Venkatesan (2016) intended to evaluate the growth of mutual funds and exchange traded funds. This study stressed that investors are always mystified with return features of their investments. Results showed that growth of exchange traded funds has been exceptional in the recent period due to its multiple benefits than mutual funds. It was found that there was low fund management cost, lesser dependence on fund manager, and easy form of transactions. This study showed that mutual fund performance mostly relied on fund manager ability, expenses ratio, higher returns, lock-in period, and so on. Therefore, investor show much attention on exchange traded funds than mutual funds. Moreover, mutual fund provides handsome return with lowest possible systematic risk. Findings revealed that risk is inherent in any investments, diversification reduces risk of investments. It was concluded that return potential is high in both mutual funds and exchange traded funds.

Investor Contentment:
Bhat (2018) examined the behaviour of retail investors towards various investment alternatives. This study showed that investors have several investment options, but there is no uniform investment trend exists among investors. Investors differ in terms of demography, volume of investment, risk tolerance, and investment motives. Investors usually consider various attributes of investments, such as protection, low risk, high income, liquidity, tax incentives, and so forth. Consequently, none of the investments satisfy these attributes and investor expectations, but mutual funds do. Mutual funds fulfil the wishes of investors and they have superior knowledge on mutual funds. Findings showed that investors are highly satisfied with the returns and other benefits provided by the mutual fund investments. In conclusion, it was found that mutual fund investment is highly depended on individual investor's behaviour and satisfaction.

Prathap and Rajamohan (2017) carried out research work to assess the awareness level of mutual fund investors. This study revealed that ensuring liquidity, lower denomination of investment, diversified portfolio, and professional management are the main characteristics that encourage investors to invest in mutual funds. The

results showed that investors are highly satisfied with liquidity, capital gains, growth prospects, and rate of return, maturity, security, and sources of information on mutual funds. In addition to that investors are satisfied with the income earned in their mutual fund investments. Therefore, investors are interested in new fund offer of mutual funds due to its higher income generating feature. Findings of the study concluded that investors are more aware of various schemes, complaints handling, fund efficiency, net asset value and investment risks.

Reddy and Sudhakar (2016) analysed the perception of individual investors towards the performance of mutual funds. This study showed that the ability to take risks, subjective and objective knowledge are closely correlated and forms perception concerning mutual fund investors. Therefore, the difference between investor perception and experience in mutual funds determines the quantum of satisfaction among investors. Results showed that subjective knowledge was found to include fund performance and market sentiment regarding price fluctuations, while objective knowledge relates to investment attributes of investments. Moreover, subjective knowledge interferes with investors' objective knowledge of risky behaviour. Findings also showed that investor satisfaction is while they equipped with enough subjective and objective knowledge. It was concluded that investors positively perceive the performance of mutual investment funds, which encourages them to make further investments.

METHODOLOGY :

Objective of the study:
✓ To study the perception of investors on mutual fund investments.
✓ To find out the influence of demographic factors towards mutual fund investment
✓ To evaluate the investors' expectations and returns towards mutual fund investments

Research design:
The structures questionnaire elicited information regarding demographics, market tendency, investor expertise, return prospects of mutual funds and investor contentment. Regression analysis and One-way Analysis of Variance were executed to assess the impact of chosen variables on investor contentment and to analyse the impact of monthly overall income groups in terms of perception.

Data collection:
Both primary and secondary data are used for this study. The primary data was collected through a well structured and tested questionnaire and secondary date collected from various books, journals, articles and magazines.
Sample size: 159 mutual fund investors were surveyed in the Chennai city.
Sampling technique: Non probability Purposive sampling method was used for this study.

FINDINGS AND DISCUSSIONS:

Regression:
Regression was executed to assess the impact of Mutual Funds Return Expectations, Investor Expertise, and Market Tendency on Investor Contentment.
Dependent Variable: Investor Contentment.
Independent Variables: Mutual Funds Return Expectations, Investor Expertise, Market Tendency.
The output of the regression analysis is presented in Tables 1 to 3.

Table 1: Regression Model R Values

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.782	0.612	0.604	1.12391

Table 2: Regression Model ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	302.938	3	100.979		
Residual	192.004	155	1.263	79.940	0.000**
Total	**494.942**	**158**			

** Significant at $p<0.01$

Table 3: Regression Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	**Std. Error**	**Beta**		
(Constant)	7.530	0.509		14.800	0.000**
Market Tendency (X_1)	0.188	0.050	0.221	3.752	0.000**
Investor Expertise (X_2)	0.005	0.018	0.015	0.269	0.048*
Mutual Funds Return Expectations (X_3)	0.708	0.065	0.659	10.927	0.000**

* Significant at $p<0.05$; ** Significant at $p<0.01$

The coefficient of X_1 is 0.188represents the partial effect of Market Tendency on Investor Contentment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Investor Contentment would increase by 0.188 for every unit increase in Market Tendency and this coefficient value is significant at 1% level.

The coefficient of X_2 is 0.005represents the partial effect of Investor Expertise on Investor Contentment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Investor Contentment would increase by 0.005 for every unit increase in Investor Expertise and this coefficient value is significant at 5% level.

The coefficient of X_3 is 0.708represents the partial effect of Mutual Funds Return Expectations on Investor Contentment, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Investor Contentment would increase by 0.708for every unit increase in Mutual Funds Return Expectations and this coefficient value is significant at 1% level.

The multiple regression equation is $Y = 7.53 + 0.188X_1 + 0.005X_2 + 0.708X_3$

Analysis of Variance (Income Groups):
One-way analysis of variance was executed to assess the perception of income groups apropos research variables.
Hypothesis H_1: There is statistically significant difference between monthly overall income groups apropos perception of Mutual Funds Return Expectations, Investor Expertise, Market Tendency and Investor Contentment.
Null Hypothesis H_{01}: There is no statistically significant difference between monthly overall income groups apropos perception of Mutual Funds Return Expectations, Investor Expertise, Market Tendency and Investor Contentment.
The various monthly overall income groups apropos mutual fund investors are presented in Table 4 and the output of analysis of variance is shown in Table 5.

Table 4: Monthly Overall Income Groups

Income Groups	Count	Percentage
Up to INR 60,000	102	64.2
INR 60,001 to INR 1,00,000	21	13.2
Above INR 1,00,000	36	22.6
Total	**159**	**100.0**

Majority of the respondents were earning a monthly overall income up to INR 50,000.

Table 5: Monthly Overall Income Groups versus Variables

		Sum of Squares	df	Mean Square	F	Sig.
Market Tendency	BIMG	1.623	2	0.812	0.184	0.832
	WIMG	688.716	156	4.415		
	Total	**690.340**	**158**			
Investor Expertise	BIMG	433.162	2	216.581	7.562	0.001**
	WIMG	4467.933	156	28.641		
	Total	**4901.094**	**158**			
Mutual Funds Return Expectation	BIMG	39.419	2	19.709	7.740	0.001**
	WIMG	389.581	156	2.546		
	Total	**429.000**	**158**			

		Sum of Squares	df	Mean Square	F	Sig.
Investor Contentment	BIMG	52.569	2	26.285	9.269	0.000**
	WIMG	442.374	156	2.836		
	Total	**494.943**	**158**			

BIMG - Between Monthly Overall Income Groups; WIMG – Within Monthly Overall Income Groups;
** Significant at p<0.01.

It was observed that p value was significant at 1% level for all variables except Market Tendency. Post-hoc Duncan's test (Tables 5 to 7) was performed for all variables whose p value was observed to be significant.

Table 5: Duncan Test for Investor Expertise

Income	Count	Subset for alpha = 0.05	
		1	**2**
Above INR 1,00,000	36	19.0000[a]	
Up to INR 60,000	102	21.0588[a]	
INR 60,001 to INR 1,00,000	21		24.7143[b]

a, b – homogenous sub-groups

Table 6: Duncan Test for Mutual Funds Return Expectation

Income	N	Subset for alpha = 0.05	
		1	**2**
Above INR 1,00,000	36	7.5833[a]	
INR60,001 to INR 1,00,000	21		8.7143[b]
Up to INR 60,000	102		8.7879[b]

a, b – homogenous sub-groups

Table 7: Duncan Test for Investor Contentment

Income	N	Subset for alpha = 0.05	
		1	**2**
Above INR 1,00,000	36	14.0000[a]	
INR60,001 to INR 1,00,000	21	14.7143[a]	14.7143[b]
Up to INR 60,000	102		15.3824[b]

a, b, ab – homogenous sub-groups

Duncan's test (Investor Expertise) revealed two homogenous sub-groups, namely, sub-group a (Up to INR 60,000 andAbove INR 1,00,000) and sub-group b (INR 60,001 to INR 1,00,000).Duncan's test (Mutual Funds Return Expectation) revealed two homogenous sub-groups, namely, sub-group a (Above INR 1,00,000) and sub-group b (Up to INR 60,000 and INR 60,001 to INR 1,00,000).
Duncan's test (Investor Contentment) revealed three homogenous sub-groups, namely, sub-group a (Above INR 1,00,000) and sub-group b (Up to INR 60,000) and sub-group ab (INR 60,001 to INR 1,00,000).

Result:
There is statistically significant difference between monthly overall income groups apropos perception of Mutual Funds Return Expectations, Investor Expertise, and Investor Contentment. There is no statistically significant difference between monthly overall income groups apropos perception of Market Tendency.

CONCLUSION:

Regression analysis revealed that Mutual Funds Return Expectations was the most influential factor while Investor Expertise was the least influential factor. Mutual fund investors would ideally like to receive maximum returns on their investment. There is always the element of risk associated with investments in mutual funds. Investor expertise would be an added advantage but it up to the fund manager / Asset Management Company to efficiently deliver their services.

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