



Product Performance Satisfaction Level of Mutual Fund Investors

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Abstract

Product performance satisfaction level can be referred to as the satisfaction level of mutual fund investors in terms of return, transparency, safety, liquidity, service quality, fund management and the overall performance of the mutual fund products. Here, the researcher attempted to analyze the satisfaction level of mutual fund investors concerning different funds/schemes opted by the investors. Based on these objectives seven parameters of satisfaction of mutual fund investors including the overall performance of the fund has been taken into consideration. The findings of the standardized regression weight of product performance satisfaction level and the Chi-square test reveals that there is a significant difference in the product performance satisfaction level of mutual fund investors about the funds opted by them (except in case of balanced-fund).

Keywords: Mutual Fund, Return, Liquidity, Product Performance Satisfaction

1. Introduction

In the current financial market, mutual funds have been considered significant by many investors in their saving and investment process. The bulk of these investors have been showing a keen interest in typical financial activities. With the wide popularity and increased importance of a much structured professional management of investments, the scope of mutual fund has risen enormously. A mutual fund is an innovative financial investment vehicle for investors who pool their savings for investing in a diversified portfolio of securities, with the aim of increasing their returns. The investors in the retail level are in a highly heterogeneous group. Here, the researcher made an attempt to analyze the satisfaction level of mutual fund investors with respect to different funds/schemes opted by the investors. A number of investment opportunities are open to investors. Based on these objectives seven parameters of satisfaction of mutual fund investors including the overall performance of the fund has been taken into consideration.

2. Statement of the Problem

In a market of utmost uncertainties, investors must be able to adapt to the wide fluctuations and changes in the economic conditions so as to make them able to maximize their expectations. High market fluctuations force them to rethink and come up with innovative investment instruments. These instruments include a mix of various investment vehicles that are grouped under a different variety of mutual funds. Here the expectations of individual investors are very high which forms a major role in the financial markets. These expectations are subject to human's perceptions which generally relate to action. The individual investors' decision-making often relies on observable socio-demographic variables to proxy for inherent psychological processes that drive investment choices. The latent heterogeneity amongst investors in terms of their preferences and beliefs form the underlying drivers of their behavior. To gain a better understanding of the relations among individual investors' decision-making, the processes leading to these decisions and investment performance are taken into consideration. It is evident that mutual funds have at the top of the agenda over the last decade thus, constituted the majority of many organizations' portfolios. At present, the number of investors is relying on the mutual fund as an investment vehicle which shows a continuous increase day by day. Thus, designing a mutual fund product and expecting a good response will be worthwhile.

3. Methodology

The study applies descriptive as well as an empirical research design based on the survey method. The data set was collected and prepared from a sample of four hundred mutual fund investors through an organized questionnaire. The qualitative variables are measured in five-point *Likert-type* scales. In order to confirm the convergent validity of the instruments, confirmatory factor analysis of each item in the scale is tested with the help of a coefficient called *the Bentler-Bonett* Fit Index. The sample size required for the study has been attained on the basis of the least required sample size table and power analysis. Simple random sampling was used for this purpose. Statistical Package for the Social Sciences is used to analyze the data. To analyze the satisfaction level of mutual fund investors in respect of different funds/schemes opted by the investors, seven parameters of satisfaction of mutual fund investors in respect of the investment including the overall performance of the fund has been taken into consideration.

4. Review of Literature

Over the past two decades, mutual funds have been the central point of an increasing number of research studies being conducted in the field of finance. The basic concerns of research focused on the majority of these studies have been performance evaluation of mutual funds with regards to risk and return. Very few have discussed mutual fund investors buying behavior and their attitude on a qualitative database (Divya, Rana, Mustafa, Hussain, 2013).

Another study was conducted by (Arshi A. Tahseen, S. Narayana, 2012) on consumer attitudes in Mutual funds in Oman market, the findings stated that there are in fact no more funds available in the market which can be diverted to equity markets. Also, there is a wide scope for launching different funds in the Omani capital market that is quite uncommon.

A recent study on the fund preferences of mutual fund investors (Sulaiman E, Basil J Thomas, 2016) revealed that most of the mutual investors select funds/schemes without considering the investment objectives and risk appetite of the investors.

The study on investor response to proposed criteria for the choice of mutual funds examined the selection criteria an investor should use in an efficient market based on three factors- load charges, management expense ratios, portfolio turnover, and brokerage ratios. The results indicated that all these factors appear to influence the net sales ratios (Walt, Woerheide, 1982). The study was conducted to recognize the information sources prompting the buying judgment, and the factors inducing the selection of a specific fund. The study exposes that Income Schemes and Open-Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes. Investors look for the safety of Principal, Liquidity and Capital appreciation in the order of significance from the mutual fund investment. Newspapers and Magazines are the major sources of information through which investors get to know about mutual fund Schemes; and investor service is a main discriminating factor in the selection of Mutual Fund Schemes (Madhusudhan, Jambodekar, V, 1996).

Another study has been conducted to observe the related features of the fund selection behavior of individual investors to Mutual funds (Kavitha, Ranganathan, 2001). The mutual fund is a retail product intended to target minor investors, salaried people and others who are scared by the anonymities of the stock market but, nevertheless, like to obtain the benefits of stock market investing. The investors look for security first in MF products, followed by good returns, tax benefits, liquidity, and capital appreciation (Rajeswari, T.R, 2002). While making fund selection from a variety of information sources, the mutual fund investors pay a great deal of care to past performance of funds and its complete fee structure (Ronald, Wilcox, T, 2003). The investors look for security first in mutual fund products followed by good returns, tax Benefits, liquidity, and capital appreciation. The scheme choice is through by respondents on their own, and the other sources prompting their selection decision are newspapers and magazines, brokers and agents, television, friend's recommendations and direct mail (Nilamadhav, Samal, 2009). The investors study a wide range of facts before buying mutual funds shares and that the shareholders refer a variety of sources for mutual fund information before and after buying shares, the one being a professional financial advisor (Sandra, West, & Victoria, Leonard, 2006).

From the review of literature, it can be perceived that mutual fund as an investment vehicle is capturing the attention of numerous segments of the society like academicians, industrialists, financial intermediaries, and regulators for varied reasons,

and deserves an in-depth study concerning the behavior of its investors in a global perspective. The study on investor's behavior in mutual funds relative to fundamental behavioral principles, psychographics, risk tolerance and other investor-related facets to be studied further. The fundamental normative model of investment behavior reflects only the risk and return as the crucial variables affecting the investor's buying behavior. Thus, it is in this context the researcher has made a humble attempt to fill this lacuna.

5. Results and Discussions

In order to analyze the product performance satisfaction level of mutual fund investors. The respondents are asked to rate the performance parameters on five points *Likert-type* scale ranging from excellent to extremely poor. The standardized regression weight obtained for the seven parameters is presented in Table 1

Table 1. Standardized Regression Weights of parameters of Product Performance Satisfaction

Sl No.	Parameters	Estimate	Rank
1	Return	0.676	6
2	Transparency	0.677	5
3	Safety	0.673	7
4	Service	0.792	3
5	Professional management	0.853	2
6	Liquidity	0.764	4
7	Overall performance	0.867	1

Source: Survey data

The standardized regression weight of product performance satisfaction level of mutual fund investors reveals that overall performance is one of the major indicators of satisfaction level of mutual fund investors. The second rank belongs to the professional management of AMCs with a regression weight of 0.853. Service quality, liquidity, transparency, return, and safety are the third, fourth, fifth, sixth and seventh rank respectively.

Later on, the researcher has classified the overall satisfaction level of mutual fund investors into three groups such as low level of satisfaction, medium level of satisfaction and high level of satisfaction. Table 2 shows the detailed result of the overall product performance satisfaction level of the respondents in respect of the schemes/funds opted by them.

Ho: *Mutual fund product performance satisfaction level of the investors is not uniform across different types of funds.*

Table 2. Overall Product performance satisfaction level of the mutual fund investors in respect of different funds

Sl No	Funds	Level of satisfaction						Total	Chi-square	'P' value
		High	%	Med	%	Low	%			
1	Open-ended	34	11.14	104	34.09	167	54.75	305	85.91	0.000*
2	Closed ended	7	15.55	11	24.44	27	60	45	14.93	0.0007*
3	Growth-fund	26	8.78	98	33.10	172	58.10	296	106.74	0.000*
4	Income Fund	6	14.28	15	35.71	21	50	42	8.14	0.0170*

5	Balanced Fund	7	17.5	13	32.5	20	50	40	5.34	0.0692
6	Tax Saving	5	5.49	32	35.16	54	59.34	91	38.03	0.000*
7	Exchange Traded	5	7.69	19	29.23	41	63.07	65	29.01	0.000*

Source: Survey data

*Significant at 5 % level (d.f.2)

The table 2 reveals that out of 305 mutual fund investors who have opted open-ended schemes, 54.74 percent of the investors have only a low level of satisfaction about their fund performance, and 34.09 percent of the investors have a medium level of satisfaction. The Chi-square test reveals that the satisfaction level of the respondents among the sample groups is not uniform.

Out of 45 mutual fund investors who have opted close-ended schemes, 60 percent of them have only a low level of satisfaction about their fund performance, while 24.44 percent of the investors have a medium level of satisfaction. The statistical test shows that there is a significant difference in the satisfaction level of mutual fund investors.

Out of 296 mutual fund investors who have opted for growth-funds, 58.1 percent of investors have only a low level of satisfaction with their fund performance, whereas 33.1 percent of the investors have a medium level of satisfaction. The *Chi-square* test reveals that the satisfaction level of the respondents among the sample groups is not uniform.

Out of 42 mutual fund investors who have opted income-funds, 50 percent of the investors have only a low level of satisfaction about their fund performance, and 35.71 percent of the investors have a medium level of satisfaction. The *Chi-square* test reveals that the satisfaction level of the respondents among the sample groups is not uniform.

In the case of balanced-funds, out of 40 investors who have opted for the scheme, 50 percent of the investors have only a low level of satisfaction with their fund performance, and 13 percent of the investors have a medium level of satisfaction. However, the statistical test shows no significant difference in the satisfaction level of the mutual fund investors(uniform) in respect of balanced-funds.

Out of 91 mutual fund investors who have opted for tax saving funds, 59.34 percent of the investors have only a low level of satisfaction about their fund performance, and 32 percent of the investors have a medium level of satisfaction. The *Chi-square* test reveals that the satisfaction level of the respondents among the sample groups is not uniform.

Out of 65 mutual fund investors who have opted for ETF, 63.07 percent of them have shown only a low level of satisfaction about their fund performance, and 19 percent of the investors have a medium level of satisfaction. The *Chi-square* test reveals that the satisfaction level of the respondents among the sample groups is not uniform.

6. Conclusion & Recommendation

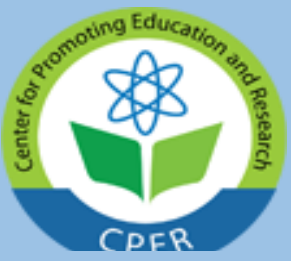
A mutual fund in an emerging market has become highly competitive which necessitates that MF marketers must fully understand the buying behavior to be able to effectively market their mutual fund schemes. Mutual fund investment is considered as one of the investment avenues preferred by investors. The foregoing analysis of product performance satisfaction level of mutual fund investors in respect of different funds opted by them shows that most of the investors have only a low level of satisfaction about the performance of the mutual fund. It also reveals that the satisfaction level of the mutual fund investors in respect of the funds opted by them is not uniform among the sample groups and concluded that there is a significant difference in the product performance satisfaction level of mutual fund investors in respect of the funds opted by them (except in case of balanced-fund).

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