

## Effect of Demographic Variables on Mutual Fund Investment Decision among Academicians of Indore City

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### ABSTRACT

*The mutual fund industry in India has come a long way since the formation of Unit Trust of India in 1963. During the past 45 years, the industry has seen many significant structural changes. The entry of private sector, foreign players and bifurcation of the UTI, which helped expand the market. The study aims to recognize the effect of demographic factors like gender, age and marital status on the preference of mutual fund investment decision on the academicians of Indore city. The results revealed that there is a significant difference of gender and age on investment preference of mutual fund investment decision of academicians in Indore City. It also concluded that there is no significant impact of marital status on the mutual fund investment decision. The results will help the mutual fund companies to create new and innovative products according to the needs of Academician and it will also enhance the sale of mutual fund. AMC can categorize the investor on the basis of their profession. Asset Management Company should target male investor for serving MF scheme. Asset Management Company should serve various MF scheme according to age group of Investors. Marital status also play pivotal role, Married people are more passionate towards investment in MF hence AMC should focused on married people for serving MF scheme. This is an original work of researcher, which will give investor inside to the AMC. It is a valuable contribution in the field of finance. This research will make easy the job of AMC as well as assist the Academician [investors] to do investment in appropriate scheme as per their risk taking capacity.*

**Keywords-** Mutual Fund, Investment, Academician and Investment Decision.

### INTRODUCTION

A vehicle for investing in stocks and bonds, Mutual fund is not an alternative investment option to stocks and bonds, rather it pool the money of several investors and invests this in stocks, bonds, money market instruments and other types of securities. The Indian Mutual fund industry has

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witnessed considerable growth since its inception in 1963. The impressive growth in the Indian Mutual fund industry in recent years can largely be attributed to various factors such as rising bonds, money market instruments and other types of securities. The Indian Mutual fund industry has witnessed considerable growth since its inception in 1963. The impressive growth in the Indian Mutual fund industry in recent years can largely be attributed to various factors such as rising household savings, comprehensive regulatory framework, favourable tax policies, and introduction of several new products, investor education campaign and role of distributor. Maximization of wealth is the main objectives of all investors. There are lot of investment avenues are available for the investors to achieve their objectives. They are bank deposit, post office savings, government securities or bonds, real estate, gold or e-gold, mutual fund, commodities, insurance, shares, public provident funds, pension funds, chit funds etc. These are the avenues are having, different characteristics, different features, some avenues competing themselves for the alternatives for the investor. Mutual fund is one of the important options for the investor; invest in their money to get high return and less risk. The mutual funds mobilize resources from savers and investing various equity linked and non equity linked investment option based on investor needs The driving force of mutual fund is the safety of principal guaranteed, plus the added advantage of capital appreciation together with the income earned in the form of interest or dividend people prefer mutual funds to bank deposits, life insurance, chit funds and even bonds, because with little money they can get into the investment game. One can own a string of blue chips like ITC, TISCO, and Reliance etc through mutual funds. Thus mutual funds act as a gateway to enter into big companies which is inaccessible to an ordinary investor with his small investment. This study is an attempt to examine various factors influencing mutual fund investment decisions of academicians making in Indore city.

## OBJECTIVES OF THE STUDY

- To study the impact of gender, age and marital status on investment preference of Academicians of Indore City.

## HYPOTHESIS

H<sub>01</sub>: There is no significant difference between perception of Male and Female academicians towards mutual fund investment.

H<sub>02</sub>: There is no significant difference among perception of different age groups of academicians towards mutual fund investment.

H<sub>03</sub>: There is no significant difference between perception of married and single academicians towards mutual fund investment.

## REVIEW OF LITERATURE

**Arathy, B. et.al (2015)** studied on “A Study on factors affecting investment on mutual funds and its preference of retail investors”. The aim of the study was to find out the factors affecting investment

decision on mutual funds and its preference over retail investors and to find out the factors that prevent the people to invest in mutual funds. The results revealed that major factors which affects decision of the investor while investing in mutual fund were Tax benefits, high return price and capital appreciation. Liquidity, diversification, risk and brand image , expert advice, past performance (NAV) or the asset management company also have influence on the final mutual fund purchase decision of the investor but not as much as the former. Some investors depend on the ratings given by CRISIL, ICRA etc to decide as to where to invest. The study also concluded that the factors which prevent people to invest in mutual funds were Tax benefit, return potential, liquidity, low cost and transparency. Economies of scale are also a motivating factor to a certain extent. They also found that the best mutual fund plan is equity plan followed by income plan, balanced plan and other sector specific or special plans. Equity based schemes are preferred over debt schemes.

**Geethaa, S., Vimala, K.(2014)** studied on “Perception of Household Individual Investors towards Selected Financial Investment Avenues (With Reference to Investors in Chennai city)”. The study particularly discussed about how demographic variable influence the investment decision and how information technology has also deeply influenced the operations of financial markets. The results revealed that there is association between demographic variables such as age, income, education, and occupation have an influence in the investment avenue preference with various risk taking capacity. But there is no significant relationship in case of gender with respondents risk taking capacity. It is also observed that respondents strongly agree to the factors of capital appreciation, safety, regular income, less transaction cost, risk protection, less procedure affordability, chance for continuous saving, long term investment and prestige value. They showed their moderate opinion to the factors of no appreciation and liquidity. General perception of the respondents towards investment avenues factors revealed that capital appreciation factor strongly accepted commonly by all four avenues, but particularly in bank deposit affordability factor, shares liquidity factor, mutual fund safety and security factors are strongly accepted by the investors.

**Jain Dhiraj et.al (2012)** studied on “Impact of Demographic factors on investment decision of investors in Rajasthan”. The study explored relationship between level of risk and demographic factors of investors’ confined to Rajasthan state. Depending upon risk appetite, there is an increase in number of investment avenues available for investors like bank deposits, government / private bonds, shares and stocks, exchange traded funds (ETF), mutual funds, insurance, derivatives, gold, silver, currencies, real estate, etc. Most of the investors’ primary objective of investment was to earn regular income and expected rate of return differs from individual to individual based on their level of market knowledge and risk taking ability. They further revealed that there was a negative correlation between Marital Status, Gender, Age, Educational Qualification and Occupation of the investors’ also there is a positive correlation between Cities, Income Level and Knowledge of the investors’.

**Khan Ali Akbar et.al (2013)** studied on “Investor Behavior towards Investment in Mutual Funds – A Comparative Study in Telangana region in the State of Andhra Pradesh”. The study analyzed whether there was any relation between demographic profiles of the investor and selection of mutual fund alternative from among public sector and private sector. They also identified the factors affecting investors’ perception and the selection of public and private sector mutual fund. The perceptions of selected 500 individual investors 250 each for public and private are taken into consideration. The study revealed that the investor’s perception was dependent on the demographic profile and assesses that the investor’s age, marital status and Education has direct impact on the

investors' choice of investment. The study also revealed that female segment are not fully tapped and even there is low target on higher income group people. The major factors influencing the investors of public and private sector mutual funds were Management Fee, Return on income and Security which have a higher impact on perception of investors.

**Makwana Chetna (2015)** studied on "Interaction between Demographic Variable and Behaviour Bias of Mutual Fund Investors". The study was an attempt to explain how the Heuristics, Bias, and psychological dimensions influence investment decisions of individual investor; how perception influences the mutual funds market as a whole. It also explored whether field of psychology-heuristics and bias helps investor to make more reasonable investment decisions. It was found that there is relationship between perception and overconfidence, mental accounting, familiarity and mental accounting. It also concluded that out of six variable (bias) under study there is correlation between four variable with perception viz. Overconfidence, mental accounting, Representativeness in information processing and familiarity bias. It was also observed that age group of investor was most prominent factors among other demographic factors which affect the overconfidence of investors. Also there is variation in behavioural biases due to demographic factors viz. Age, Income, Education, while Gender is not showing any evidence of effect. Similarly, awareness was not influencing on behavioural bias but perception is significantly influencing behavioural bias of mutual fund investors.

**Mehta Shantanu et.al (2012)** studied on "Preference of Investors for Indian Mutual Funds and its Performance Evaluation". The objective of the study was to know preference of mutual funds investors and performance evaluation of the preferred schemes by the investors. The survey was undertaken by 100 educated investors of Ahmadabad and Baroda city. The results revealed that age of the investor and the factor preferred the most by them are independent of each other; Annual income of the individual investor and annual investment in mutual fund are independent of each other ; Share of mutual funds in the total investment and the income of the investors are independent of each other ; Knowledge about mutual fund and the qualification of the investors are dependent on each other ; Occupation of individual investor and the feature that allures him the most are independent of each other ; Mode preferred to receive returns yearly and the type of Return expected by the investors is dependent on each other. Investors mostly prefer equity schemes while making investment into mutual funds. Amongst equity schemes also equity tax savings (ELSS), Equity diversified scheme and Equity sectoral schemes are mostly preferred by the investors.

**Rajdev Ankita (2013)** studied on "The Effect of Demographic factors on Investment Choice of Investors: A Study on Investors of Bhopal". The objective of the study was to compare the relationship of demographic variables viz. gender, occupation, income, age, marital status with investment choice made by the investors. The study adopted convenience sampling method for data collection and sample of 100 respondents in Bhopal city were selected for the study. The study concluded that the differences among the different genders were found to be significant for shares, bonds, mutual fund, and fixed deposit. It shows that females are conservative while investing, whereas males are aggressive. It also showed the relationship between the occupation and the investment choice made by the investor for shares, bonds, real estate. It showed the relationship between the income and the investment choice made by the investor is for shares, bonds, mutual fund and jewellery. It was also evaluated that the relationship between the age and the investment choice made by the investor was found in fixed Deposit, jewellery and Insurance whereas this

relationship was not found in Shares, mutual fund and others. There is no significant relationship between the Marital Status and the investment choice made by the investor. The study suggested that bank executives and investment managers should offer high yielding investments to risk seeking clients, and offer stable and less risky products for risk avoiding clients.

**Rathnamani, V.( 2013)** studied on “Investor’s Preferences towards Mutual Fund Industry in Trichy”. The study also helps to understand the role of investment pattern and preferences of investors behind investing in mutual fund. For the purpose of this study 100 respondents have been chosen on a randomly convenient base in Trichy city. The results found that there is no significant relationship between residential area (urban or rural) and knowledge level of the investors ; there is a significant relationship between investment style and factor influencing for investment at 2% and 3% degrees of freedom ; there was a significant relationship between age and investment style ; there was no significant relationship between age range and level of risk the investors willing to take will invest in mutual fund ; there is a positive correlations investment style and the educational qualification of the investor. In this study investors are willing to take moderate and low level risk; most of the investors belong to moderate investment style.

**Singh Kumar Binod (2012)** studied on “A study on investors’ attitude towards mutual funds as an investment option”. The objective was to observe the impacts of various demographic factors on investors’ attitude towards mutual fund have been studied. The analysis has been done using Chi-square test and for analyzing the various factors responsible for investment in mutual funds, ranking was done on the basis of weighted scores and scoring was also done on the basis of scale. The sample size was 250 investors’ in Ranchi region by sampling method. As far as the demographic factors are concerned, gender, income and level of education have significantly influence the investors’ attitude towards mutual funds. On the other hand the other two demographic factors like age and occupation have not been found influencing the attitude of investors’ towards mutual funds. The study revealed that return potential and liquidity have been perceived to be most attractive by the invertors’ followed by flexibility, transparency and affordability as far as benefits provided by mutual funds are concerned.

## ANALYSIS AND DISCUSSION

### (1) **H<sub>01</sub>: There is no significant difference between perception of Male and Female academicians towards mutual fund investment.**

The results of gender towards mutual fund investment showed that the value of significance was found to be **p = 0.0000 (Table 1.1a)** which is less than significance value of 0.05. It rejects the Null Hypothesis (H<sub>01</sub>) so it may be concluded that there is a significant difference in mutual fund investment preference with respect to gender. Gender is said to have significant impact on investment decision because male are considered to be the basic bread winners in most of the families and they have keen interest in various investment avenues than females.

It is evident from **Table 1.1b** that the mean value of male (**X=102.6176**) is higher than mean value of the female (**X=88.24**). This suggests that males are more sensitive towards mutual funds investment. The reason could be that men are more aware towards investment avenues due to financial responsibility, financial literacy and risk taking capacity. Men and women have different

knowledge set concern to investment decision. As men are ready to take risk and aggressive investor and women are risk averse and conservative investors.

The results tally with Khan Ali Akbar Mohd. et.al (2013) concluded that investors Gender has direct impact on the investors' choice of investment and female segment are not fully tapped. Jain Dhiraj et.al (2012) also concluded that gender have major impact on investment decision of investors in Rajasthan. Rajdev Ankita (2013) revealed that the differences among the different genders were found to be significant for shares, bonds, mutual fund, and fixed deposit. It also showed that females are conservative while investing and feel risky while investing, whereas males are aggressive.

**(2) H<sub>02</sub>: There is no significant difference among perception of different age groups of academicians towards mutual fund investment.**

When the perception of mutual fund investment with respect to different age groups were analyzed, the value of significance was found to be  $p = 0.000$  (Table 2.1a) which is less than significance value of 0.05 which rejects the null hypothesis H<sub>02</sub>. So it may be concluded that there is a significant difference in the perception of mutual fund investment with respect to different age groups.

The investment priorities of investors are different in different age groups due to their responsibilities at different stages of life. This could be the reason that the perceptions of different age groups are different regarding perception of mutual fund investment of academicians in Indore city.

The results tally with Khan Ali Akbar Mohd. et.al (2013) concluded that investors age has direct impact on the investors' choice of investment and Jain Dhiraj et.al (2012) also concluded that age have major impact on investment decision of investors in Rajasthan.

The perception of academicians towards mutual fund investment is higher in case of (age above 45), the mean of this age group is ( $X=96.7647$ ), which is higher than age group between 26 to 45 ( $X=93.5283$ ), then comes the mean of age group Up to 25 ( $X=75.1765$ ). The age group above 45 has emerged as the most preferred age group towards mutual fund investment as the mean of this age group is found to be highest. The reason is that in this age group, the investors consist of previous investors as well as new investors join at age above 45 to get retirement and maturity benefits of mutual fund. In the middle age between 26 to 45 people are more inclined towards mutual fund investment as they starts to think about their child's education, marriage and his own retirement planning, which motivates him to invest in various investment avenues like mutual fund. The reason of least mean value of age group up to 25 is due to fact that people are least bother about the investment because they spent most of their earning in meeting his present need. (See Table 2.1b)

The significance difference was found to be significant between age group of (Up to 25) with (between 26-45) is 0.000 and (Up to 25) with (above 45) is 0.000 as value is found to be less than 0.05 while there is no significant difference between age group (26 to 45) with (Above 45) is 0.411 as value is greater than 0.05. (See Table 2.1c)

**(3) H<sub>03</sub>: There is no significant difference between perception of married and single academicians towards mutual fund investment.**

When the results of mutual fund investment with regards to marital status were analyzed, the results indicated that value of significance was found to be  $p = 0.192$  (Table 3.1b) which is higher than significance of 0.05 (at 5% level of significance). It accepts the null hypothesis (H<sub>03</sub>) so it may be concluded that there is no significance difference between perception of married and single academicians towards mutual fund investment. The impact of marital status has no significant impact on the mutual fund investment decision because single investor does not have financial responsibility on their shoulders and they spent most their earning in fulfilling needs but in case of married investors they are having large number of household expenses hence they could not contribute towards mutual fund investment even they wish to invest.

The Table 3.1a showed that mean value of married investor is ( $X = 93.61$ ) is higher than mean value of single investor ( $X = 89.11$ ). It showed that there is difference between married and single towards mutual fund investment because mean value of married is higher than single. The reason could be that married people have more responsibility and they are known for their saving spree. They also carefully invest their hard earned money so that it will be useful in the future for various needs and expenditure.

## CONCLUSION

The Indian Mutual Fund Industry is witnessing a rapid growth as a result of infrastructure development, increase in personal financial assets, rise in foreign participation, growing risk appetite, rising income, and increasing awareness mutual funds are becoming a preferred investment option compared to other investment vehicles such as bank fixed deposits and post office savings. The results revealed that there is a significant difference of gender and age on investment preference of mutual fund investment decision of academicians in Indore City. It also concluded that there is no significant impact of marital status on the mutual fund investment decision. The results will help the mutual fund companies to create new and innovative products according to the needs of academicians and if AMC consider age & Gender while making MF scheme then it will attract more investor. This research work provides platform to all such companies which are engaged in wealth creation. It also suggests to consider demographic profile, especially profession while making any investment scheme.

## IMPLICATION

- Asset Management Company should target male investor for serving MF scheme. The reason could be that men are more aware towards investment avenues due to financial responsibility, financial literacy and risk taking capacity
- Asset Management Company should serve various MF scheme according to age group of Investors. Diverse age group investors pursue differently to same scheme. If these follow then probability of positive response will increase.

- Marital status also play pivotal role, as there is no significant difference between perception of married and single academician towards MF investment but then after Married people are more passionate towards investment in MF hence AMC should focused married people for serving MF scheme. AMC can also target single through educating towards future responsibilities.



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