Understanding the Relationship Between Investors' Personal Attributes and Investment Perceptions Towards Mutual Fund Investments

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Abstract

The aim of this paper was to measure the relationship between investors' personal attributes (educational qualifications, occupation, income, and age) and their investment perceptions (knowledge, information, safety, returns, and decision making). For the purpose of this study, a structured questionnaire was designed and administered to 1000 randomly chosen mutual fund investors in Hyderabad. The usable responses were 522 responses (52.2%). Perceptions of investors were measured on a Likert scale. The scale reliability scores were satisfactory. Initially, data were analyzed using chi-square test. However, there were near to 40% of the cells that had cell count less than 5. As an alternative to the chi - square test, the hypotheses were tested with the Kruskal-Wallis H Test. The study found a relationship between age of the respondents and safety of investments. No relationship was found between other personal attributes and investment perceptions.

Key words : **mutual funds, investor perception, Kruskal-Wallis test**

JEL Classification : C12, E44, G11

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The emergence of mutual funds creates a platform of small investments for low earning individual investors. Unlike other investment opportunities, mutual funds provide returns from investments for small investors. While making investment choices, various factors influence the investors relating to their ability and understanding, expectations, and risk aversion, etc. The present study focused upon investors' preferences towards mutual fund investments considering age differences, gender bias, occupation and earning levels, information collection and dissemination, time horizon, and decision-making skills. Most small investors consider mutual funds as a risk-free investment option. By investing the money collected from a large number of small individual investors into diversified portfolios, fund houses try to minimize the risk and maximize the returns.

While making investments in mutual funds, investors generally invest in funds they are familiar with, and familiarity comes with understanding about different schemes from various sources like fund factsheet, scheme information document, etc. Furthermore, choice of schemes depends on personal attributes of the investors. Education, employment, income level, age, gender, etc. influence the investment pattern. To understand the

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relationship between personal attributes of investors and their expectations and investment behavior, we collected primary data by administering the questionnaire to the respondents.

Review of Literature

(1) Relation Among Knowledge and Educational Qualification of the Investors : Mutual fund investors need some knowledge about funds they generally invest in. Generally, educational qualifications have some impact on mutual fund investment behavior of investors. Peter, Alexander, and Jones (1998) conducted a study on 2000 randomly selected mutual fund investors and found that the knowledge about mutual funds increased as their level of education increased. They also found that more knowledgeable investors were comfortable buying mutual fund units. On the contrary, a study conducted by Mehta and Shah (2012) revealed that investors invest in mutual funds without having educational qualifications, and the effect of qualification was minimal while investing in mutual funds. Noel, Gavan, and Prince (1996) conducted a study on mutual fund purchases in Continental United States and found that many investors had little knowledge of investments or details about their investments due to lack of educational qualifications.

(2) Information and Livelihood Status : Before investing into mutual funds, investors collect information about various funds. The information about the concerned fund may be related to performance, preferences based on rankings, etc. ; Fund factsheets and scheme information documents also provide information about mutual funds. Mohanta and Debasish (2011) conducted a study on 210 mutual fund investors and found that occupation of investors influenced their investment preferences. Vyas (2012) found a significant relation among sourcing of information and occupation of the investors who invested their money in shares, bonds, and real estate investments ; whereas, there was no impact of occupation on mutual fund investments.

(3) Safety Investments and Age Group : Investments into mutual funds is a safe place of investment, irrespective of returns compared to equity stocks. Generally, small investors invest in mutual funds by purchasing small number of units. Safety is an utmost matter for small investors. Different age groups will have different investment preferences towards investments into stocks, bonds, mutual funds, etc. There is an impact of age group on the investment avenues. The younger investors in the age group of below 30 years invest in funds and stocks much than elderly investors (Kothari, 2014). Walia and Kiran (2009) argued that investors in the age group of below 30 years are aggressive investors and they seek capital appreciation. They are ready to take more risks rather than investing in safe investments. Middle age group investors, treated as active investors, invest in funds with the objective of tax savings. The upper age group investors invest in mutual funds to reap their retirement benefits.

(4) Returns and Annual Income of Investors : Change in income level of investors leads to change in investment into mutual funds. When investors' income is low, they tend to invest less in mutual funds as these give fewer returns compared to other stock investment options. Investors earning more may tend to invest more in mutual funds though they earn less returns (Mehta & Shah, 2012).

(5) Decision Making and Annual Income of Investors : There is no difference in various levels of annual income of investors and making investment decisions.

Objectives of the Study

(i) The study aims to measure the relationship between investors' personal attributes as socioeconomic factors and their investment perceptions towards mutual fund investments.

(ii) To find out whether there is any influence of investors' educational level on knowledge of mutual fund investments.

(iii) To test whether there is any effect of occupation of investors on information dissemination towards mutual fund investments.

(iv) To test whether there is any difference in age group and safety of investments.

(v) To test whether income level of individual investors has any significant impact on mutual fund returns.

Methodology

(1) Demographic Profile : The detailed profile, with demographic information about the respondents, is shown in the Table19. The present study focused on male investors of mutual funds as the response from female investors was dismal, that is, around 10% of the total respondents were female investors. The age group of the investors is also classified in five categories in which majority (74%) of them were above the age of 40 years. While collecting information about perception of investors, we were able to get responses from all levels of education from - school pass outs to post graduates in a similar and balanced manner.

(2) Pilot Study : Data was collected by using a 5- point likert scale, with 1 - *strongly disagree* to 5 - *strongly agree*. We conducted a pilot study before using the questionnaire for final analysis in the month of May 2015. The results of the pilot study revealed that the questionnaire designed by us was appropriate to use.

(3) Data : After careful examination of the results of the pilot study, were drafted the questionnaire in the month of June 2015. From then on, we started collecting data from the respondent investors from July till end of September 2015. We chose Hyderabad as the place to conduct this research study and the data collection was limited to Hyderabad city only. Random sampling procedure was followed to collect opinions from respondent investors. We distributed the questionnaires to 1000 mutual fund investors to gather the intended information for the study. In return, 834 responses were received from the respondents. Of these, the final sample of 522 (all fields filled) respondents was taken into consideration as the intended study focused on open-end equity and growth mutual fund schemes. The research study focused on investors who invested in mutual funds, irrespective of their income levels and age. It has been categorized into five variables namely, knowledge, information, safety, returns, and decision making. Each variable consisted of four questions.

(4) Data Analysis Tools : After the data were collected from the respondent mutual fund investors, it was entered into software Statistical Package for Social Sciences (SPSS 20) for data analysis. The intended study was to analyze the preferences of mutual fund investors while investing. The data entered into the software was tested with reliability statistics by overall scale reliability and variable wise reliability. The Cronbach's alpha was considered for the reliability of data, and a value of more than .70 was considered to be reliable. Thereafter, Pearson's chi-square test was run to know the goodness of fit on the data. The results of the chi-square test revealed that there were cell counts of less than five. When the cell count is less than five, the Pearson's chi - square test may not be an appropriate model to test the goodness of fit, and most importantly, the Pearson's chi - square can be used on the data with a maximum of three metrics. The present study is having metrics of more than three. When there are metrics of more than three, the appropriate model to test the goodness of fit and for pair wise comparison, the Kruskal-Wallis H test is used.

Kruskal-Wallis test was run on the calculated mean score values of each variable and the demographics suitable to each variable. The knowledge variable has been compared with educational qualification of investors and it is

assumed that increased level of education improves the knowledge of investors. The information variable has been compared with occupation of the investors, assuming investors collect information from their peer groups. The safety parameter is compared with the age group of investors, assuming age differentiation leads to investment diversification. Returns and decision making has been compared with annual income of investors assuming return expectations depend on earning behavior. Asymptotic significance has been used to measure the relationship among the variables and demographics considered for the study.

Hypotheses

Hypotheses : The study hypothesized through a survey on mutual fund investors in the year 2015. A well structured questionnaire was designed to understand the investment related variables in addition to basic demographic information. The study has the following hypotheses statements :

- **H01 :** There is no significant relationship between educational qualifications and investors' knowledge about mutual funds.
- **Ha1 :** There is a significant relationship between educational qualifications and investors' knowledge about mutual funds.
- **Result :** As the chi-square significance value (0.307) is higher than 0.05, the null hypothesis is accepted. This means investors' educational qualification is not related to their knowledge about mutual funds.

- **H02 :** There is no significant relationship between occupation of investors and investors' access to information.
- **Ha2 :** There is a significant relationship between occupation of investors and investors' access to information.
- **Result :** As the chi-square value is 0.650, which is greater than the test significance of 0.05, the result leads to the acceptance of the null hypothesis and it means that there is no relation between investors' occupation and their access to information.

- **H03 :** Age of the investors is not related to their concern towards safety of investments.
- **Ha3 :** Age of the investors will significantly influence their concern towards safety of investments.
- **Result :** The calculated significance value of the chi-square test is less than 0.05. Hence, the study rejects the null hypothesis. This implies that the age group of investors is significantly related with safety of investments.

- **H04 :** There is no significant relationship between income level and annual returns of investors.
- **Ha4 :** There is a significant relationship between income level and annual returns of investors.
- **Result :** The significance value of the chi-square test (0.776) is greater than the significance level of 0.05. This leads to accepting the null hypothesis and there is no relationship between income level of investors and their returns on investments.

- **H05 :** Annual income of investors is not significantly related with decision making abilities of investors.
- **Ha5 :** Annual income of investors is significantly related with the decision making abilities of investors.
- **Result :** As the chi-square significance value (0.113) is higher than 0.05, the study fails to reject the null hypothesis. This means investors' annual income is not related to their decision making abilities on mutual fund investments.

Results and Discussion

(1) Descriptives : Descriptive statistics is run on mean score of all the five variables considered for the study. Mean and standard deviation of these variables are shown in the Table 1. Bivariate correlation was run to test the statistical significance among the variables. The results of the bivariate correlation (Table 2) reveal that the variables considered and the data on Likert scale calculated from the respondents is statistically significant at the 1% level, and this can be clearly observed with the flagged values of Pearson's correlation. There is a perfect positive correlation among knowledge and information, that is, 0.779 and there is a weak correlation between knowledge level of the investors and safe investment avenue, that is, 0.454.

(2) Reliability Analysis : Oftentimes, research in finance to collect information from investors is being done quantitatively on different scales and ranking procedures. One of the scale measurement tools is the 5 - point Likert scale, with which researchers can collect information in quantitative terms. The present study also considered the 5- point Likert scale to understand investors' perceptions towards mutual fund investments. The internal consistency of the variables used for the study has to be tested with reliable measures, and the tool used is Cronbach's alpha, which gives the results whether the scale score is same in two different time periods. The general notion is the Cronbach's alpha of more than .70 can be an appropriate scale.

The reliability statistics of the five different variables mentioned in the Table 3 show the Cronbach's alpha. The scale is used to study the knowledge level, information dissemination, safe investment into mutual funds, and expected returns from the investments, and these are found to be perfectly appropriate as their Cronbach's alpha values are 0.894, 0.811, 0.804, and 0.717, respectively.

Table 1. Group-wise Descriptive Statistics

Variable	Mean	Standard Deviation	N
Mean Score of Knowledge	3.78	0.92	522
Mean Score of Information	3.83	0.80	522
Mean Score of Safety	3.55	0.83	522
Mean Score of Returns	3.83	0.75	522
Mean Score of Decision Making	3.68	0.72	522

Table 2. Inter-item Correlations

	Knowledge	Information	Safety	Returns	Decision Making
Knowledge	1	.779**	.454**	.554**	.472**
Information	.779**	1	.565**	.680**	.587**
Safety	.454**	.565**	1	.608**	.536**
Returns	.554**	.680**	.608**	1	.507**
Decision Making	.472**	.587**	.536**	.507**	1

Note : ** significance at the 0.01 level

Table 3. Reliability Statistics

	Knowledge	Information	Safety	Returns	Decision Making
Cronbach's Alpha	0.894	0.811	0.804	0.717	0.641

(3) Chi-Square Test : Investment avenues may differ from parameters and demographic factors. The parameters used in the study to understand investors' perceptions towards mutual fund investments are knowledge level, collection of information, safety, expected returns from investments, and decision making. The study has been conducted by grouping parameters with suitable demographic factors. Knowledge is associated with educational qualification of investors as increase in education increases the knowledge about mutual funds. Collection of information is tested with occupation of investors ; different age groups may have different safety perceptions at the time of investment. Income level of investors influences their return expectations and investment decision making choices.

Pearson's chi - square test is used to check the independency of the categorical data of demographics. The Pearson's chi-square can only be applied for the metrics of 2×2 or 2×3 and when the cell count is less than 5, the test will not give appropriate results. To avoid the problem of metrics of more than three and cell count of less than 5, we used Kruskal-Wallis H test to test the hypotheses. The H test is a non-parametric test used to find if there is any significant difference between two or more groups of independent and dependent variables.

The data is uniformly distributed among different respondents with their level of education (Table 4). Pearson's chi-square test results can be observed from the Table 5. The results reveal that there are four cells having expected count of less than five. Pearson's chi-square is not a valid test when the expected cell count is less than five. We applied the model of Kruskal-Wallis to test the null hypothesis of no significant difference of educational qualification on knowledge level of investors. Many of the earlier studies (Mehta & Shah, 2012 ; Noel et al., 1996) found from their research that there is no influence of education on knowledge levels of investors. But the results reveal that (H01 is accepted) there may have been differences in educational qualification of investors on the knowledge level and the level of significance near to alpha of 0.05, that is, 0.074 (Table 6).

Next, sourcing of information has been compared with the occupation of investors as most of the investors prefer to seek information from peer groups. The number of mutual fund investors with regard to occupation was

Table 4. Knowledge versus Educational Qualifications of Investors

Count						
		Education qualifications of the respondents				Total
		School	Higher Secondary	Under Graduate	Post Graduate	
Knowledge	Strongly Disagree	2	3	5	2	12
	Disagree	8	8	9	6	31
	Neutral	29	23	14	17	83
	Agree	68	57	62	58	245
	Strongly Agree	28	38	40	45	151
	Total	135	129	130	128	522

Table 5. Pearson's Chi-Square Test Results of Educational Qualifications vs Knowledge

	Value	*df*	Asymp. Sig. (2-sided)
Pearson's Chi-Square	13.909[a]	12	.307
Likelihood Ratio	14.053	12	.297
Linear-by-Linear Association	4.348	1	.037
N of Valid Cases	522		

a. 4 cells (20.0%) have expected count less than 5. The minimum expected count is 2.94.

Table 6. Kruskal - Wallis H Test Results of Educational Qualifications vs Knowledge

Test Statistics[a,b]	
	Knowledge
Chi-Square	6.932
Df	3
Asymp. Sig.	.074
a. Kruskal Wallis Test	
b. Grouping Variable: Education Qualification of the respondent	

Table 7. Information versus Occupation of the Respondents

Count						
		Occupation of the Respondents				**Total**
		Self-employed	**Professional**	**Salaried**	**others**	
Information	Strongly Disagree	2	3	2	2	9
	Disagree	3	7	5	3	18
	Neutral	28	20	15	26	89
	Agree	79	62	65	56	262
	Strongly Agree	38	33	31	42	144
	Total	150	125	118	129	522

Table 8. Pearson's Chi-Square Test Results of Occupation vs Information Dissemination

	Value	***df***	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	9.611[a]	12	.650
Likelihood Ratio	9.593	12	.652
Linear-by-Linear Association	.357	1	.550
N of Valid Cases	522		

a. 7 cells (35.0%) have expected count less than 5. The minimum expected count is 2.03.

classified into four categories, and sourcing and dissemination of information on a scale of *strongly disagree* to *strongly agree* (Table 7). Pearson's chi-square test was run to measure the association between categories of occupation and five point scale about information. But the test in this event also is not appropriate as the expected cell count is less than five (Table 8).

The results of the Kruskal-Wallis H-test are shown in the Table 9. The study hypothesizes that there is no relationship of categories of occupation with sourcing of information. The results reveal that it failed to reject the null hypothesis (H02 is accepted) as the significance value is 0.835 which is more than the alpha of 0.05 ($p > 0.05$). Hence, investors from different occupations were also not impacting the sourcing and distributing information.

Further, investors in different age groups will generally take various safety measures. Generally investors in the age group of 21- 40 years are more aggressive towards investments ; they invest more in equity stocks as these give higher returns than mutual funds. Those who invest in mutual funds may be small investors and in the age group of above 40 years. The study hypothesizes that the age group of the respondent investors did not influence their safety perception. Investors' response regarding investment risks can be inferred from the Table 10. The hypothesis test of safety and age group of investors using Pearson's chi-square test could not be conducted as the

Table 9. Kruskal-Wallis H Test Results of Occupation vs Information Dissemination

Test Statistics[a,b]	
	Mean Score of Information
Chi-Square	.860
df	3
Asymp. Sig.	.835
a. Kruskal Wallis Test	
b. Grouping Variable: Occupation of the respondent	

Table 10. Safety Versus Age of the Respondents

Count							
		Age of the Respondents					**Total**
		21 - 30 Years	**31 - 40 Years**	**41 - 50 Years**	**51 - 60 Years**	**Above 60 Years**	
Safety	Strongly Disagree	0	3	4	0	1	8
	Disagree	3	0	3	17	8	31
	Neutral	1	16	37	64	42	160
	Agree	10	11	32	108	75	236
	Strongly Agree	2	5	9	37	34	87
	Total	16	35	85	226	160	522

Table 11. Pearson's Chi-Square Test Results of Age vs Safety of Respondents

	Value	***df***	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	49.934[a]	16	.000
Likelihood Ratio	47.480	16	.000
Linear-by-Linear Association	9.321	1	.002
N of Valid Cases	522		

a. 9 cells (36.0%) have expected count less than 5. The minimum expected count is .25.

cells' expected count is less than five (Table 11).

The results of the Kruskal-Wallis H test (Table 12) reveal that the investors of different age groups had different safety perceptions towards mutual fund investments. The null hypothesis of no significant relationship of age group with safety parameters has been rejected (H03 is rejected) as the significance value is 0.012, which is less than the alpha value of 0.05.

Annual income of the investors was also considered in the study to relate with their expected returns from investments. Majority of the investors agreed (Table 13) that they preferred investments into mutual funds as their level of income increased. The hypothesis test of annual income and returns of investors using Pearson's chi-square test cannot be conducted as 10 cells have expected count of less than five (Table 14). From the Table 15, it is observed that the null hypothesis of no significant relationship of annual income of investors with expectations about returns from their investments is not rejected (H04 is accepted).

Mutual fund investors look for diversified portfolios when more number of options are available and a single time period may not provide the desired returns from investments. The study also relates decision making of

Table 12. Kruskal-Wallis H Test Results of Age vs Safety of Respondents

Test Statistics[a,b]	
	Mean Score of Safety
Chi-Square	12.874
df	4
Asymp. Sig.	.012
a. Kruskal Wallis Test	
b. Grouping Variable: Age of the respondent	

Table 13. Returns versus Annual Income in INR

Count							
		Annual Income in INR					**Total**
		Below 2	**2 to 5**	**5 to 8**	**8 to 11**	**Above 11**	
Returns	Strongly Disagree	0	2	1	0	0	3
	Disagree	4	2	2	4	1	13
	Neutral	27	32	28	28	11	126
	Agree	55	55	56	49	36	251
	Strongly Agree	28	28	23	34	16	129
	Total	114	119	110	115	64	522

Table 14. Pearson's Chi-Square Test Results of Annual Income vs Returns

	Value	***df***	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	11.520[a]	16	.776
Likelihood Ratio	12.372	16	.718
Linear-by-Linear Association	1.113	1	.291
N of Valid Cases	522		

a. 10 cells (40.0%) have expected count less than 5. The minimum expected count is .37.

Table 15. Kruskal-Wallis H Test Results of Annual Income vs Returns

Test Statistics[a,b]	
	Mean Score of Return
Chi-Square	1.041
df	3
Asymp. Sig.	.791
a. Kruskal Wallis Test	
b. Grouping Variable: Annual Income in INR	

Table 16. Decision Making versus Annual Income

Count							
		Annual Income in (Lakhs INR)					Total
		Below 2	2 to 5	5 to 8	8 to 11	Above 11	
Decision Making	Strongly Disagree	0	3	1	0	0	4
	Disagree	1	3	8	7	1	20
	Neutral	30	28	21	26	10	115
	Agree	67	62	67	63	43	302
	Strongly Agree	16	23	13	19	10	81
	Total	114	119	110	115	64	522

Table 17. Pearson's Chi-Square Test Results of Annual Income vs Decision Making

	Value	*df*	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.032[a]	16	.113
Likelihood Ratio	24.111	16	.087
Linear-by-Linear Association	.184	1	.668
N of Valid Cases	522		

a. 10 cells (40.0%) have expected count less than 5. The minimum expected count is .49.

Table 18. Kruskal-Wallis H Test Results of Annual Income vs Decision Making

Test Statistics[a,b]	
	Mean Score of Decision Making
Chi-Square	.594
df	3
Asymp. Sig.	.898
a. Kruskal Wallis Test	
b. Grouping Variable: Annual Income in INR	

investments with income level of investors (Table 16). The Pearson's chi-square test results (Table 17) found that 10 cells have expected count of less than five. The Kruskal-Wallis H test gave the appropriate results to test the hypothesis (Table 18) of significant relationship among annual income level and effective decision making towards mutual fund investments. The null hypothesis of no significant relationship in change in the annual income on effective decision making is accepted (H05 is accepted). Hence, change in the level of annual income and investors with different income does not show any impact on investment decision making.

Conclusion and Implications

As discussed in the literature review, earlier studies found mixed responses about personal attributes and investment perceptions of individual investors. To extend this body of knowledge, we aimed to conduct a similar study in Hyderabad, India. This study is an exhaustive one in terms that, it measured association between five personal attributes measured on a nominal scale and five investor perceptions measured on a Likert scale. When

Table 19. Demographic Classification of the Respondents

Gender	Number of Respondents	Percentage of total
Male	468	89.66
Female	54	10.34
Total	522	100
Age		
21 - 30 Years	16	3.07
31 - 40 Years	35	6.70
41 - 50 Years	85	16.28
51 - 60 Years	226	43.30
Above 60 Years	160	30.65
Total	522	100
Educational Qualifications		
School	135	25.86
Higher Secondary	129	24.71
Under Graduate	130	24.90
Post Graduate	128	24.52
Total	522	100
Occupation		
Self-employed	150	28.74
Professional	125	23.95
Salaried	118	22.61
others	129	24.71
Total	522	100
Annual Income (₹ Lakhs)		
Below 2	114	21.84
2 to 5	119	22.80
5 to 8	110	21.07
8 to 11	115	22.03
Above 11	64	12.26
Total	522	100

the hypothesis was tested to find out the relationship between educational levels and knowledge about the mutual fund industry, the results failed to reject the null hypothesis. This means that the level of education is not related to investors' knowledge about the mutual fund industry. Next, we tested the association between occupation and information about mutual fund schemes. The results reported no association between these two variables. Third, the hypothesis tested the relationship between age of the respondents and safety regarding investments (risk taking ability of the investors). For these two variables, the null hypothesis was rejected and we found a statistically significant relationship between age and safety concerns. Finally, no relationship was found between annual income and returns on investments ; and annual income and decision making.

This research would be useful for fund houses and fund managers in designing their scheme policies based on the perceptions and preferences of investors. Results of the study would be helpful for fund managers to give

priority towards investors' knowledge level, expectations on returns, and decision making abilities, which would help the fund houses to garner more investments for their schemes.

Limitations of the Study and Scope for Further Research

This study was conducted in Hyderabad city where investors have knowledge and access to information about mutual fund schemes. The sample does not include semi - urban and rural investors. The results may vary if they were taken into consideration. We considered mutual fund investors in general ; whereas; in practice, mutual fund investors can be classified into different categories which the study did not consider. The study did not consider women investors for analysis as they were only 10.34% of the total sample, that is, 54 respondents.

This study was conducted by considering mutual funds in general who invest in all kinds of mutual fund schemes like debt, equity, sector specific, balanced, etc. At the same time, the Assets Under Management (AUM) of mutual fund schemes can be small, medium, or large capital. Investors' perceptions and risk aversion may depend on type of the scheme and size of AUM. So, future research may be conducted to understand different categories of investors. Future studies may also be conducted by considering semi-urban and rural investors.

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