

A STUDY ON FACTORS INFLUENCING INVESTMENT OF MUTUAL FUND INVESTMENT IN THANJAVUR DISTRICT

Dr.K.Ayappan

Assistant Professor, Department of Commerce, Government Arts College

(Autonomous),Kumbakonam

ABSTRACT

Saving has been considered as one of the determinants of development from the traditional days driving the underdeveloped nations to the way of improvement. For the people and family units, reserve funds give a pad of security against future possibilities, while for the country, investment funds give the assets required/required in the formative endeavors. Investment is placing cash into something with the desire for pick up, that upon through examination, has a high level of security for the key sum, and in addition security of return, inside a normal timeframe. Objectives of the study, to analyse the factors influencing investment of mutual fund investment in Thanjavur District. Methodology of the study, The present study is based on primary data. The primary data were collected in the form of structured questionnaire from respondent who have the experience and interest in investment. The secondary data were collected from various journals, published research articles, periodicals, Indian report of various private agencies, various thesis and dissertations related to savings and investment, and other related areas. The data used for the purpose of analysis of this study were collected during the period from 1st April, 2019 to 31st May 2019. Suggested this study, Investment is Undertaken in the expectation of a return which is in proportion to the risk the investor assumes.Favourable activities relating to investment consists of acquisition of assets, their maintenance and the liquidation of assets. A good investment market should facilitate these investments.

Keywords: Investors, Factor, savings, etc.,

INTRODUCTION

Saving has been considered as one of the determinants of growth from the classical days leading the underdeveloped countries to the path of development. For the individuals and households, savings provide a cushion of security against future contingencies, whereas for the nation, savings provide the funds needed/required in the developmental efforts. To achieve higher rate of growth with relative price stability for the nation, the government should take steps to increase the marginal propensity to save by introducing appropriate incentives and policies. Also, in an era of international financial integration, for macroeconomic stability, higher domestic savings is necessary. Aggregate savings in any economy depends on a number of interdependent variables. The savings from the household sector of India contributes a lion's

share to the total savings of the nation and has a major influence on the Indian economy. Saving rate of the household sector of both the rural and urban sectors should be stepped up to boost the savings and thus the Indian economy¹

Savings represent that part of national income which is not spent on consumption in a year out of the total disposable income. In a closed economy, savings are equal to the total investments or capital formation. In an open economy, like India, since there is a possibility of having a surplus or deficit current account balance, depending upon the difference between exports and imports, the total investments in the domestic economy can either exceed or fall short of the domestic savings. Generally, domestic saving falls into three broad components namely, household savings, business savings and government savings. The household saving represents savings of the household sector out of the disposable income. In an economy where the financial markets have developed, savings of household sector is replicated in their investments in various financial instruments issued by intermediaries like banks and financial institutions and government, net of their liabilities².

STATEMENT OF THE PROBLEM

An economy can have different forms of savings of which household financial savings constitute the largest share in aggregate domestic savings. Other forms of savings comprise physical savings by households, savings by the private corporate sector and savings by the public sector as measured by the magnitude of the current account balance³. The aim of savings and investment by any household or corporate is to maximize the return out of the savings and invest it with minimum risk. They trade off between the risk and return prior to investment. Moreover the economy's development depends on investor's mode of savings. Keeping pace with the changing times and under the liberalized financial sector regime, the financial institutions are also decorated with innovative instruments to meet the growing demand of modern investors. But this innovative and diversified financial system does not decrease the demand of traditional means of investment.

OBJECTIVES OF THE STUDY

To analyse the factors influencing investment of mutual fund investment in Thanjavur District

METHODOLOGY OF THE STUDY

The present study is based on primary data. The primary data were collected in the form of structured questionnaire from respondent who have the experience and interest in investment. The secondary data were collected from various journals, published research articles, periodicals, Indian report of various private agencies, various thesis and dissertations related to savings and investment, and other related areas. The data used for the purpose of analysis of this study were collected during the period from 1st April, 2019 to 31st May 2019. The respondents of this study consists of the people employed in various fields like manufacturing, trading and service providing sectors and are referred to as salaried employees in our study. The study was conducted by selecting the salaried employees in the Thanjavur district, and classifying them into two categories based on the criterion of belonging to the Government or the Private sector. The questionnaire was the main tool for data collection. Many prior steps were taken to frame a structured questionnaire. Secondary data were collected from various journals, articles magazines, RBI annual report, etc. Convenient Sampling Technique was adopted to select the sample size which was ascertained to be 250. Tools like Percentage Analysis, Mean and Standard Deviation and Factor analysis.

ANALYSIS AND INTERPRETRATION

DIMENSIONALITY OF THE MULTI-SCALE ITEMS (FACTOR ANALYSIS)

Factor Analysis is a set of technique which by analyzing correlations between variables reduces their numbers into fewer factors which explain much of the original data, more economically. Even though a subjective interpretation can result from a factor analysis output, the procedure often provides an insight into relevant psychographic variables, and results in economic use of data collection efforts. The subjective element of factor analysis is reduced by splitting the sample randomly into two and extracting factors separately from both parts. If similar factors result, the analysis is assumed as reliable or stable.

TABLE - 4.4.1.1

KMO AND BARTLETT’S TEST FOR FACTORS RELATED TO INFLUENCE INVESTMENT IN MUTUAL FUND

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.781
Bartlett’s Test of Sphericity: Approx. Chi-Square	3130.534
Sig	0.000**
S/NS	S

**p<0.01 S-Significant

From the above table, two tests, namely Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity have been applied to test whether the relationship among the variables has been significant or not. The Kaiser-Meyer-Olkin Measure of sampling adequacy shows that the value of test statistics is 0.781, which means the factor analysis for the selected variable is found to be appropriate or good to the data. Bartlett's test of sphericity is used to test whether the data are statistically significant or not with the value of test statistics and the associated significance level. It shows that there exists a high relationship among variables.

Table –2

EIGEN VALUES AND PROPORTION OF TOTAL VARIANCE OF EACH UNDERLYING FACTORS RELATED TO INFLUENCE INVESTMENT IN MUTUAL FUND

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.498	36.655	36.655	5.498	36.655	36.655	4.015	26.765	26.765
2	1.972	13.146	49.801	1.972	13.146	49.801	2.616	17.438	44.203
3	1.584	10.562	60.363	1.584	10.562	60.363	2.009	13.392	57.595
4	1.367	9.111	69.474	1.367	9.111	69.474	1.595	10.635	68.230
5	1.236	8.243	77.717	1.236	8.243	77.717	1.423	9.487	77.717

The results of the factor analysis presented in the table – 2 regarding factors related to investment in mutual fund, have revealed that there are fifteen factors that had Eigen value exceeding “one”. Among those four factors, the first factor accounted for 36.655 per cent of the variance, the second 13.146 Per cent, the third factor 10.56 Per cent, fourth factor 9.111 and last factor 8.243 per cent of the variance in the data set. The first four factors are the final factors solution and they all together represent 77.17 Per cent of the total variance in the scale items measuring the factors related to influence in mutual fund investment. Hence from the above results, it is certain these are the factors that are related to factors influencing mutual fund.

TABLE ---3
COMMUNALITIES FOR FACTORS RELATED TO INFLUENCE INVESTMENT IN MUTUAL FUND

Communalities		
	Initial	Extraction
I search for investment options X1	1.000	.836
I rely on intermediaries for making investmentsX2	1.000	.840
I prefer investment based on low transaction costX3	1.000	.730
I discuss with my friends, colleagues, family members before investment decisions were madeX4	1.000	.832
My investments are always tenure basedX5	1.000	.615
I watch the performance of investmentX6	1.000	.911
I take responsibility for the investments madeX7	1.000	.429
My choice of investments will be of various avenuesX8	1.000	.929
My investments are diversifiedX9	1.000	.929
My investments will be in equal ratio for all avenuesX10	1.000	.750
My investments will be the last resort during contingencyX11	1.000	.766
I make more investments in the same avenue if my objectives are fulfilledX12	1.000	.698
I analyse my investments and switch to other when I found appropriateX13	1.000	.836
I consider using investments for social aspect needsX14	1.000	.779
I don't consider switching when my investment	1.000	.777
Extraction Method: Principal Component Analysis.		

Source: Primary data.

The above table (Communalities) represents the application of the Factor Extraction Process, it was performed by Principal Component Analysis to identify the number of factors to be extracted from the data and by specifying the most commonly used Varimax rotation method⁴. In the principal component analysis, total variance in the data is considered. The proportion of the variance is explained by the fourteen factors in each variable. The proportion of variance is explained by the common factors called communalities of the variance. Principal Component Analysis works on initial assumption that all the variance is common. Therefore, before extraction the communalities are all 1.000. Then the most common approach for determining the number of factors to retain i.e. examining Eigen values was done.

TABLE- 4
ROTATED COMPONENT MATRIX FOR FACTORS RELATED TO INFLUENCE IN INVESTMENT IN MUTUAL FUND

--

	Component				
	1	2	3	4	5
My choice of investments will be of various avenuesX8	.910				
My investments are diversifiedX9	.910				
I watch the performance of investmentX6	.804				
My investments are always tenure basedX5	.744				
I take responsibility for the investments madeX7	.628				
My investments will be the last resort during contingencyX11		.857			
I make more investments in the same avenue if my objectives are fulfilledX12		.744			
I prefer investment based on low transaction costX3		.723			
I discuss with my friends, colleagues, family members before investment decisions were madeX4		.688			
I rely on intermediaries for making investmentsX2			.908		
I search for investment options X1			.897		
I consider using investments for social aspect needsX14				.882	
I don't consider switching when my investment				.875	
I analyse my investments and switch to other when I found appropriateX13					.886
My investments will be in equal ratio for all avenuesX10					.687
Extraction Method: Principal Component Analysis. .					

Source: Primary Data.

The above table represents the Rotated Component Matrix, which is an important output of principal component analysis. The coefficients are the factor loadings which represent the correlation between the factors and the twelve variables (X_1 to X_{15}). From the above factor matrix it is found that coefficients for factor-I have high absolute correlations with variable My choice of investments will be of various avenuesX8 ,My investments are diversifiedX9,I watch the performance of investmentX6,My investments are always tenure basedX5 and I take responsibility for the investments madeX7 that is, **.910, .910, .804,.744 and.628** respectively. Similarly factor-II has high absolute correlation with variable My investments will be the last resort during contingencyX11,I make more investments in the same avenue if my objectives are fulfilledX12,I prefer investment based on low transaction costX3,I discuss with my friends, colleagues, family members before investment decisions were madeX4 , that is, **.857, .744, .723**

and.628 respectively. Next, factor III has high absolute correlation with variable I rely on intermediaries for making investmentsX2 and I search for investment options X1 that is, **.908 and .897** respectively. Factor-IV has high absolute correlation with variable I consider using investments for social aspect needsX14 I don't consider switching when my investment that is, **.882 and .875** respectively.Factor-V has high absolute correlation with variable I analyse my investments and switch to other when I found appropriateX13 My investments will be in equal ratio for all avenuesX10 that is,.886,.687 respectively. For example in this study, factor I is at least somewhat correlated with twelve variable out of the twelve variables with absolute value of factor loading greater than or equal to 0.5. In such a complex matrix it is difficult to interpret the factor. So proceed to compute the rotated factor matrix.

TABLE 5
Component Transformation Matrix

Component	1	2	3	4	5
1	.804	.512	.252	.032	.162
2	.069	-.551	.791	.226	.124
3	-.022	.124	-.145	.951	-.243
4	.359	-.503	-.514	.144	.578
5	-.467	.407	.163	.153	.752

Extraction Method: Principal Component Analysis.

The above table reveals the factor correlation matrix. If the factors are uncorrelated among themselves, then in the factor correlation matrix, the diagonal elements will be 1's and off diagonal elements will be 0's. Since matrix was rotated with Varimax, barring some variables all other variables are found to have, even if not zero correlations but fairly, low correlation.

CONCLUSION

Thus the fifteen variables in the data were reduced to five Component factors and each factor may be identified with the corresponding variables as follows:

	%	
--	---	--

My choice of investments will be of various avenues X8	82.81	FACTOR 1
My investments are diversified X9	82.81	
I watch the performance of investment X6	64.64	
My investments are always tenure based X5	55.35	
I take responsibility for the investments made X7	39.44	
My investments will be the last resort during contingency X11	73.44	FACTOR 2
I make more investments in the same avenue if my objectives are fulfilled X12	55.35	
I prefer investment based on low transaction cost X3	52.27	
I discuss with my friends, colleagues, family members before investment decisions were made X4	47.33	
I rely on intermediaries for making investments X2	82.45	FACTOR 3
I search for investment options X1	80.46	
I consider using investments for social aspect needs X14	77.79	FACTOR 4
I don't consider switching when my investment X4	76.56	
I analyse my investments and switch to other when I found appropriate X13	78.50	FACTOR 5
My investments will be in equal ratio for all avenues X10	47.20	

SUGGESTIONS OF THE STUDY

1. Investment is Undertaken in the expectation of a return which is in proportion to the risk the investor assumes. Favourable activities relating to investment consists of acquisition of assets, their maintenance and the liquidation of assets. A good investment market should facilitate these investments. Activities and foster growth. There are certain factors such as legal protection, well organized monetary system, role of financial institutions, healthy industrial climate, varied investment avenues, varying interest rates, larger incomes, tax rates, and the like which are conducive to the growth of investment market. Several investment opportunities are available to an investor and in many combinations. However, the returns offered by them vary depending upon their nature and qualitative

features. The investors through portfolio management, attempt to maximize their expected return in consistent with individually acceptable portfolio risk.

2. Investment risk must be minimized which will in turn increase the investment by aged teachers.
3. Different groups of investors like, professionals, businessman pay less attention while evaluating the pros and cons of investing in different securities. The need and benefits of the systematic and analytical evaluation of different alternatives and competitive avenues need to be explained to them. Then only it is possible to park their surplus funds in economical viable condition.

CONCLUSION

Factors which influenced on mutual fund investors viz., perceptions on investment, Expenditure and Investment, Saving and investment, information usage in investment decision, priority on investment, Investment avenues, perception towards investment, factors motivated to investment, personal and social status of investor, Investment preferences and knowledge level of investors and problems faced by investors all aspects have analysed in this study. The findings of the study indicate that mutual fund investors perception has led to the investment appreciation exhibited through various factors. A similar kind of investor group perception will enhance investment effectiveness for mutual fund investors not only contribute to their respective organization by their labour contributions, they do contribute to the development of national economy by saving and investing in various investment avenues. This habit and attitude could be developed by providing more knowledge and awareness on new and innovative investment avenues such as investment in commodity market, futures and options and other financial innovative products.

REFERENCES

1. **Unny, C.J**, “Determinants of savings of rural households in Kerala”. Department of Economics, Christ College, Irnijalakudi, Thirussur.
2. **Kanagasabapathy**, “A Technical Note on Savings and Savers as Stakeholders”
3. **Das Sanjay Kanti** by “Investment Behavior of Middle Class Households: An Empirical Analysis”. Asian Journal of Management, Year : 2012, Volume : 3, Issue : 3, First page : (123) Last page : (133) . Print ISSN: 0976-495X.