

A COMPARATIVE ANALYSIS OF INVESTORS BUYING BEHAVIOR OF URBAN RURAL FOR FINANCIAL ASSETS SPECIFICALLY FOCUSED ON MUTUAL FUND

Dhimen Jani¹ and Dr. Rajeev Jain²

¹Research Scholar, Mewar University, Rajasthan, India

Email: jani.dhimen@gmail.com

²Dean & Head, Department of Management, University of Kota, Rajasthan, India

Email: rajeevjain@uok.ac.in

ABSTRACT

This paper examines the Investor buying behavior of urban and rural) for financial assets specifically focused on mutual fund. The study also assesses the impact of various demographic factors like age, gender, education, income etc. on the buying behavioral pattern of both Investors. The data was collected from 200 respondents (100 urban and 100 rural). The survey was conducted during September/October 2012. The study revealed that Age Gender, Occupation, Educational Qualification, Income etc. have significance impact on the buying behavioral pattern on rural and urban investors, besides that on the basis of priority provided by investor, both investor gives first priority to financial planner and second to risk and return profile, third past performance, forth tax consideration and fifth to the brand.

Keywords: Buying Behavior, Urban & Rural, Investors, Mutual Fund

INTRODUCTION

The Investor behavior is the process by which Investor tends to satisfy his/her needs by showing their choices. The behavior of the Investor can be affected by many of internal as well as external environment. The demographical factors play critical role in determining individual buying behavior for any goods or even service. Many researches have been conducted to identify Investor buying behavior to identify how Investors are making financial planning to satisfy their future financial need. After initialization of reforms in 1991, Indian economy had seen dramatic changes in almost each and every sector of the country. The financial sector is one of them, since reforms, many new private (domestic and foreign) players have had come up to influence the buying behavioral pattern of Indian Investors specifically for financial assets.

The income earning and income spending activities is a part of financial system. It channelizes the savings of million small and retail Investors into gigantic capital formation. Most of the marketing companies are now penetrating urban and rural regions of the country. Today, Investors have large number of option available for investment i.e. Stock market, Bank F.D., Insurance (ULIPS), Mutual funds, PPF, NSC, KVP, Real Estate, Small Medium

Enterprise, agricultural product, cottage industry, Bonds, Gold etc. All these financial instruments mobilize financial resources in the economy.

Mutual Fund – A Brief Idea

Mutual fund is an investment instrument which mobilizes the savings of millions of small and retail Investors into huge capital formation. The basic objective behind investment in mutual fund is goods return with relative low risk. Investors invest their money into mutual fund through Asset Management Company (AMC). There are experts available in the market, which are in constant touch with micro and macro aggregates of the economy viz. share market, G.D.P, G.N.P. N.N.P., General Price Level, Investor preference; trend, fashion etc. act as fund manager. When Investors invest some money in mutual fund, the invested amount is converted into units at prevailing price of fund (generally called NAV- Net Asset Value), which are declared on daily working basis. If the value of units that is NAV increases that would be appreciation in the invested amount and if it decrease the value of invested amount decreases.

LITERATURE REVIEW

Mutual fund has emerged as one of the best option for investment nowadays. Great amount of research has been carried out on Investor buying behavior on mutual fund.

- Bogle (1992) and Ippolito (1992) have suggested that the Investors are selecting fund on the past performance. They also specify that Investor invest in such a fund whose past performance is positive rather than negative for specific period of time.
- Kulshresth (1994) offers certain guideline to the investors in selecting the mutual fund schemes.
- Shankar (1996) mentioned that in order to capture the Indian investors AMC should follow the consumer distribution model.
- Jambodekar (1996) conducted study to identify factor affecting decision making of investors, it was found that income schemes and open ended schemes are more preferable than growth and close ended schemes.
- Sikidar and singh (1996) conducted a survey to understand behavioral aspects of the investors of North Eastern Region towards mutual fund investment portfolio, the study revealed that salaried and self-employed investors are mostly investing because of one aspects Tax Saving.
- Harless and Peterson (1998) mentioned that despite poor performance of mutual fund investors stick with those mutual funds that have shown better performance in the past.
- Raja (1998) examined several Investors and found that there is impact of demographical variables such as age, gender, income etc.
- According to Lu Zheng (1999) majority of Investors, making purchase in mutual fund; do invest on the basis of short-term future performance and they use fund specific information for their selection decision.

- Shanmugham (2000) made a survey of 201 individual and found that psychological and sociological factors have more influence amongst the all factors which have influence on the Investors decision towards any financial assets
- Lynch and Musto (2003) found that, there would be maximum investment in mutual fund because ordinary Investors do not have time, experience, expertise and knowledge to take investment decision independently.
- Anand and Murugalah (2004) explored that, in order to attract Investor, financial industries requires innovation in developing and delivering financial services to survive and even to earn profit.
- Ramamurthy and Reddy (2005) carried out a study to analyze recent trends in the mutual fund industry and concluded that the major benefits delivered to the small and retail Investor by mutual funds are professional management, diversification of investment, convenient administration, return potential, liquidity, transparency, flexibility, affordability, wide choice and proper regulation.
- Keli (2005) states that, past performance and funds investment strategy continued to be the top two drivers in the selection of new fund manager.
- Desigan et al. (2006) conducted a study on women Investor perception towards investment selection. Accordingly, women Investors generally avoid mutual fund, the main reason is lack of awareness, investment procedures, entry and exit move etc.
- K. Lashmana Rao (2011) made analysis of perception of Investor towards mutual fund schemes, he made conclusion SEBI, AMFI, and IRDA should take appropriate steps to enhance Investors knowledge for making more prudent decisions.

SIGNIFICANCE OF STUDY

The study is expected to reveal the facts regarding Investor buying behavior for financial assets specifically mutual fund. The Indian mutual fund industry has grown at an impressive pace in terms of Assets under Management (AUM) over the past few years. Household financial savings in mutual funds has increased from 1.2% to 7.7%. It has been proved by research, that even financial service providing companies cannot be successful without proper marketing strategy. In present day, Marketing does not only satisfy human wants but it also generates want. This study will help mutual fund companies to explore new opportunities for market penetration in urban and rural regions. It will also enable mutual fund companies to identify the relative importance of role of financial advisor in decision making process of Investor. Finally, it would be possible to evaluate the impact of demographical factors on the decision making process of Investors therefore mutual fund companies can prepare marketing strategies in accordance with research findings.

LIMITATION OF STUDY

1. The study is limited to 200 respondents only, from valsad city and surrounding regional rural areas. The findings of research may not apply to the Gujarat state or the country.

2. The Investors buying pattern keeps changing with the introduction of new innovation in terms of product, price, place and promotion. If there is introduction of new financial product, investors buying behavioural pattern may change.

STATEMENT OF THE PROBLEM

With increasing competition in financial market, it is necessary to identify investors buying behavior for financial assets. As many research, have proved that there is great impact of demographical factors like age, gender, income, culture etc. on the investment decision, it has become necessary for those companies which are providing financial services to the investors to survive in the competitive market. This study attempts to make identification of various factors that can influence the buying decision of investors of urban and rural areas of Valsad District (Gujarat State). The research intends to provide solution of the question “What kind of factors can influence the buying decision of investors? What kind of strategy can be adopted in urban and rural areas of Gujarat state for better sales? And finally, Does the buying behavioral pattern of urban and rural investors differ significantly?”

OBJECTIVES OF RESEARCH

- To assess the impact of various demographical factors like Age, Gender, Income, Education, Occupation etc. on Investor buying behavior of valsad city and surrounding rural areas
- To study and rank the factor having implications on Investor buying behavior towards mutual fund
- To make comparative analysis of investors buying behavior of valsad city and surrounding rural regions.

HYPOTHESIS DEVELOPMENT

- H1: There is insignificant difference between buying behavioural pattern of the both Investor. (urban – and rural)
- H2: There is no impact of demographical profiles of Investors on their buying behaviour while purchasing mutual fund of both Investors (urban – valsad city and rural-surrounding rural areas)

RESEARCH METHODOLOGY

This research is Descriptive type of research study. Cross sectional study is adopted under descriptive research. It is related to the analysis of Investor buying behavior of Valsad city and Surrounding Rural Areas for financial assets specifically focused on mutual funds. 200 (100 valsad city and 100 Surrounding Rural Areas) Investors were surveyed with the help of structured questionnaire.

Source of Data

- Primary data is collected through structured questionnaire.
- Secondary data is collected through AMFI report, journals, reports of RBI

Data collection Method

Primary data is collected through structured questionnaire by face to face interview. While secondary data is collected from various websites of institutions like AMFI, RBI and financial journals time to time.

Sampling Plan

Population - Valsad City (urban) and surrounding rural areas (rural)

Surrounding Rural Areas (villages) includes – Vapi, Dharampur, Pardi, Atul etc.

Sampling Unit – Retail Investors

Sampling Method – Non-Probability sampling Specifically Convenient sampling

Sample size – 200

Analytical Tools Applied – SPSS 17**Statistical tools & techniques applied**

There are several techniques available to analyze data and to draw a conclusion. For this purpose chi-square goodness of fit is used to judge the phenomena.

Table 1. Data Analysis and Interpretation (Valsad City – Urban)

Demographic Factor	Null Hypothesis – H ₀	χ^2 df	P value	Accept/Reject	Difference
Age	No significant relation	χ^2 df(6) 97.306,	p<0.05	Reject	Significant
Gender	No significant relation	χ^2 df (3) 39.139,	p<0.05	Reject	Significant
Occupation	No significant relation	χ^2 df(15) 208.554,	p<0.05	Reject	Significant
Marital Status	No significant relation	χ^2 df(3) 69.471	p<0.05.	Reject	Significant
Income	No significant relation	χ^2 df(6) 99.903,	p<0.05	Reject	Significant
Education	No significant relation	χ^2 df(6) 115.099,	p<0.05	Reject	Significant

Table 2. Data Analysis and Interpretation (Rural)

Demographic Factor	Null Hypothesis – H ₀	χ^2 df	P value	Accept/Reject	Difference
Age	No significant relation	χ^2 df(6) 102.491,	p<0.05	Reject	Significant
Gender	No significant relation	χ^2 df(3) = 18.660	p<0.05	Reject	Significant

Table 2. Data Analysis and Interpretation (Rural) (Contd...)

Demographic Factor	Null Hypothesis – H0	χ^2 df	P value	Accept/Reject	Difference
Occupation	No significant relation	χ^2 df(15) = 159.818	p<0.05	Reject	Significant
Marital Status	No significant relation	χ^2 df(3) = 52.978	p<0.05	Reject	Significant
Income	No significant relation	χ^2 df(6) = 90.556	p<0.05	Reject	Significant
Education	No significant relation	χ^2 df(6) = 128.015	p<0.05	Reject	Significant

Analysis of Investors Buying Behavior towards Mutual Fund of Valsad City (Urban)

- The study revealed that out of 100 respondents 3% (3) respondents were below age of 18 years, 59% (59) of the respondents were in the age group of 18-30 years, 38% (38) of the respondents were in the age group of 31-50 years. None of the respondents were in the age group of above 50 years.
- Under the gender category, out of 100 respondents, 89% (89) were male and 11% (11) were female.
- As per the occupation out of 100 respondents 10% (10) were professionals, 36% (36) were business persons, 21% (21) were govt. servant, 22 % (22) were students, 11% (11) were having private service, There were no respondents in the category of retired.
- As far as education is concerned, 31% (31) of the respondents were in the category of U.G., 55% (55) of the respondents were in the category of Graduation and 14% (14) respondents were having degree of P.G. and above
- As per marital status 67% (67) respondents were married, 33% (33) were unmarried
- As far as monthly income is concerned 37% (37) of the respondents fall in the category of income group below 10,000/- P.M., 34% (34) of respondents fall in the category of 10,000 to 30,000 and remaining 29% (29) respondents fall under the category of above 30,000 monthly income brackets.

Analysis of Investors Buying Behavior towards Mutual Fund of Surrounding Rural Region (Rural)

- The study revealed that out of 100 respondents 0% (0) respondents were below age of 18 years, 40% (40) of the respondents were in the age group of 18-30 years, 48% (48) of the respondents were in the age group of 31-50 years, 12% (12) respondents were in the age group of above 50 years.

- Under the gender category, out of 100 respondents, 95% (95) were male and 5% (5) were female.
- As per the occupation out of 100 respondents 9% (9) were professionals, 25% (25) were business persons, 13% (13) were govt. servant, 2 %b(2) were students, 49% (49) were having private service, 2% (2) respondents were retired.
- As far as education is concerned, 24% of the respondents were in the category of U.G., 50% of the respondents were in the category of Graduation and 26% (26) respondents were having degree of P.G. and above.
- As per marital status 87% (87) respondents were married, 13% (13) were unmarried
- As far as monthly income is concerned 27% (47) of the respondents fall in the category of income group below 10,000/- P.M., 62% (62) of respondents fall in the category of 10,000 to 30,000 and remaining 11% (11) respondents fall under the category of above 30,000 monthly income brackets.

Ranking of Various Factors Responsible For Investment in Mutual Funds (Valsad City –Urban)

The study has revealed the fact that those Investors who are investing in mutual fund is generally due to following factor.

Brand, Risk & Returns, Past Performance, and Tax benefit and role of financial advisor etc. During the survey, respondents were asked to rank these most common factors according to their priorities. The data is presented in the following table.

Table 3. Factors Affecting Investment Decision of Valsad City for Mutual Fund

Factors	NO. OF RESPONDENTS					
	Least	Low	Medium	High	Highest	Total
Brand	34	2	34	17	13	100
Role Of Financial Advisor	5	18	23	25	29	100
Risk & Return	21	20	10	21	28	100
Past Performance	0	48	22	25	5	100
Tax Consideration	40	12	11	12	25	100
TOTAL	100	100	100	100	100	----

Now, for analyzing various factors responsible for investment in mutual fund, ranking is done on the basis of weighted scores. Scoring is done as per following. Rank 1- 1 weight, Rank 2-2 weight, Rank 3-3 weight, Rank 4-4 weight and Rank5-5 weight.

Table 4. Ranking of Various Factors

Factors	Weighted Scores	Percentage	Rank
Brand	273	18.20	5
Role Of Fin. Advisor	355	23.67	1
Risk & Return Profile	315	21.00	2
Past Performance	287	19.13	3
Tax Consideration	270	18.00	4

Ranking Of Various Factors Responsible For Investment In Mutual Funds (Surrounding Rural Regions - Rural)

The study has revealed the fact that those Investors who are investing in mutual fund is generally due to following factor.

Brand, Risk, Returns, Past Performance and role of financial advisor in decision making process, Income tax consideration etc. During the survey, respondents were asked to rank these most common factors according to their priorities. The data is presented in the following table.

Table 5. Factors Affecting Investment Decision of Surrounding Rural Regions for Mutual Fund

Factors	No. Of Respondents					Total
	Least	Low	Medium	High	Highest	
Brand	54	19	11	8	8	100
Risk & Return Profile	9	12	21	25	33	100
Role Of Financial Advisor	10	4	27	21	38	100
Past Performance	10	18	15	37	20	100
Tax Consideration	17	47	26	9	1	100
Total	100	100	100	100	100	

Now, for analyzing various factors responsible for investment in mutual fund, ranking is done on the basis of weighted scores. Scoring is done as per following. Rank 1- 1 weight, Rank 2-2 weight, Rank 3-3 weight, Rank 4-4 weight and Rank5-5 weight

Table 6. Ranking of Various Factors

Factors	Weighted Scores	Percentage	Rank
Brand	197	13.13	5
Risk & Return Profile	361	24.07	2
Role Of Financial Advisor	373	24.87	1
Past Performance	339	22.60	3
Tax Consideration	230	15.33	4

On the basis of ranks provided by rural and urban investors we can make identification of behavioral pattern of both investors.

The ranking suggest that both urban and rural investors prefer advice of financial planner/agent at the first place, risk and return profile also plays crucial role in determining the investment decision in financial assets, both of the investors have placed risk and return profile on the second rank. Past performance is placed at the third rank, which indicates that investors do observe past performance but do not take decision only on it. The reason was observed that past performance do not give any guarantee regarding same return on the investment in future. Investors had placed tax consideration into fourth place; the reason was observed that, in order to take tax benefit investors are required to invest in ELSS or related schemes in which minimum lock in period is three years, which in turn reduces the preference of the investors. Mostly in the FMCG products brand had left remarkable impact

on the preference of consumers, but in financial service, investors had placed brand on the fifth rank, which indicates investors do not have much interest in brand.

CONCLUSION & RECOMMENDATION

A Comparative Analysis of Investors Buying Behavior of Valsad City (Urban) and Surrounding Regional Rural Areas (Rural) For Financial Asset specifically focus on Mutual Fund was undertaken to identify investors buying behavioral pattern. The study was conducted in Sept/Oct. 2012. It has shown that different demographical factors have influence on buying behavioral pattern of investor. The study shows that each demographical (age, gender, income, educational qualification, occupation etc.) factor had significant bearing on both urban and rural investors buying behavioral process.

As far as, behavioral pattern is concerned, the study has revealed that both investors are having same behavioral pattern, marginal deviation was noticed during analysis. Both investors provide more priority to the financial planner, on the second place risk and return profile, third place is captured by past performance and so on. On the basis of study, it can be concluded in order to capture urban and rural market, mutual fund companies required to concentrate on financial planner. Commissions and other benefits can be given to financial planner to generate more investment in mutual fund. The reason behind more importance of financial planner is that, he is the person known to the investor and on whom investors can trust.

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