Investigating the Investment Patterns of Mutual Fund Investors: An Empirical Study in Andhra Pradesh

Dr. Kamma Ramanjaneyulu[1], Mr. Reddy Sarveswara Reddy[2] Mrs. Dara Maria Sudha[3]

[1]Associate Professor, Dr.K V Subba Reddy Institute of Management, Kurnool.AP, Cell No: 9494733850, Email Id: ramulatha.mba@gmail.com
[2]Associate professor, Dr. K V Subba Reddy School of Business Management, Kurnool, AP, Cell No: 8328085096, Email Id: sarymba@gmail.com.
[3]Associate Professor, Ashoka Women's Engineering College (Autonomous),Kurnool, AP,Cell No:6903554683, Email Id: daramariasudha@gmail.com

ABSTRACT :

The mutual fund industry in India has seen rapid growth and popularity over the past few decades, particularly since the establishment of Unit Trust of India in 1964. This growth has spurred extensive academic research, focusing on various aspects of mutual funds. One frequently explored area is investors' perceptions and preferences regarding different mutual fund schemes, along with the factors influencing their investment decisions. Against this backdrop, a survey conducted among 200 mutual fund investors across the nine urban and semi – urban cities in Andhra Pradesh, India employed Principal Component Analysis (PCA) to group nine identified factors into four major components, guided by an extensive literature review. The study highlights that factors such as safety, past returns, and liquidity significantly influence investors' choices in mutual fund schemes. The research employed both parametric and non-parametric statistical methods to analyze the data. This study contributes to the advancement of knowledge in personal investment by providing insights into the factors driving investor behavior in mutual funds. It underscores the importance of safety, historical performance, and liquidity as pivotal considerations for investors when selecting mutual fund schemes.

Keywords: Mutual funds, Investment patterns, Investor behavior, financial markets.

INTRODUCTION :

The mutual fund industry in India has witnessed remarkable growth and evolution, becoming an increasingly preferred avenue for individual investors seeking diversification and professional management of their investments. With its inception marked by the establishment of Unit Trust of India in 1964, the sector has expanded significantly, offering a variety of investment options catering to diverse investor needs and risk appetites. Among the various states contributing to this growth, Andhra Pradesh stands out as a significant market, characterized by its dynamic economic landscape and burgeoning urban centers. Understanding the investment patterns of mutual fund investors in Andhra Pradesh is crucial for several reasons. It provides insights into the preferences, behaviors, and decision-making processes of investors within this region, thereby aiding financial institutions, policymakers, and market analysts in crafting targeted strategies to better serve investor interests.

This empirical study aims to delve into these investment patterns through a systematic analysis of factors influencing mutual fund investment decisions among investors in Andhra Pradesh. By examining demographic profiles, investment preferences, risk perceptions, and the impact of external factors such as economic conditions and regulatory changes, the study seeks to uncover the underlying motivations driving investment choices.

Methodologically, the study adopts a cross-sectional approach, analyzing survey data gathered from a diverse sample of mutual fund investors in both urban and semi-urban regions of Andhra Pradesh. Statistical methods such as regression analysis and principal component analysis will be utilized to pinpoint significant variables and uncover underlying patterns within the dataset. Ultimately, the findings of this study are expected to contribute to the existing body of knowledge on investor behavior in mutual funds, particularly within the context of Andhra Pradesh. Insights derived from this research will not only inform stakeholders within the financial services industry but also serve as a foundation for future research endeavors aimed at enhancing investor education and promoting sustainable financial decision-making.

REVIEW OF LITERATURE

Research by Barber & Odean (2000) and Srivastava & Banerjee (2012) et all The study reveals that demonstrates that demographic factors including age, income, education, and occupation exert a substantial influence on mutual fund investment behaviors. These variables may vary significantly in Andhra Pradesh compared to national averages, thereby influencing investment decisions in distinct ways.

Barber & Odean, 2000 the study reveals that Investors often rely on past performance metrics when selecting mutual funds Studies suggest that this criterion may outweigh other factors, such as expense ratios or fund manager experience, particularly in markets where financial literacy levels vary.

Grable & Lytton, 2001 the study reveals that Investors' perception of risk and their risk tolerance levels play a pivotal role in shaping their investment decisions Studies suggest that risk perception varies among different demographic groups, affecting asset allocation within mutual fund portfolios.

Dash & Sahoo, 2015 the study reveals that Regional studies highlight the influence of local economic conditions, cultural factors, and investor sentiment on mutual fund investments Understanding these nuances in Andhra Pradesh can provide insights into regional investment behavior.

Chalam (2003) conducted a study using primary data from approximately 200 investors over a five-year period (1997-2002) to identify the factors influencing investment in various asset types, including mutual funds. His findings revealed that factors such as returns, capital appreciation, and tax savings were predominant in motivating the majority of investors to choose mutual fund schemes. These factors played a crucial role in shaping investor decisions during the period under review.

OBJECTIVE OF THE STUDY:

- ➢ To investigate the favored investment choices among retail investors.
- ➢ To ascertain the preferences of investors regarding various mutual fund schemes.
- ➢ To assess the characteristics of funds that influences the selection of mutual funds.

RESEARCH METHODS

The Study Utilizes An Empirical Study Across The Nine Urban And Semi Urban Cities In Andhra Pradesh, India. It Employs A Range Of Statistical Tools Including Mean, Standard Deviation, Rank Correlation, Chi – Square Test And Factor Analysis. The Primary Data Collection Take Place between January 2023 to June 2024.

Explanation of Techniques and Equations Used

(a) Chi – Square Test:

In this paper, the Chi - Square Test is employed to analyze discrete data presented as frequency distributions. It examines the independence or dependence of demographic factors such as age, occupation, and income on saving objectives. Additionally, a test of homogeneity using the Chi-square method is applied to determine the preferences of males and females regarding various mutual fund schemes.

$$\text{The formula for Chi-square } (X^2) \text{ is: } \sum_{i=1}^{n} \frac{(\text{Observed values} - \text{Expected values})^2}{\text{Expected value}}$$

(b) Spearman Rank Correlation Test:

The Spearman rank order correlation (ρ) is used to determine the preference of various investment options among male and female respondents. With a sample size of 200, consisting of 140 males and 60 females, the ranks are converted to $R1_{\_1}R1$ and $R2_{\_2}R2$ respectively. The Spearman rank correlation coefficient (ρ) is computed as follows:

$$\rho = \frac{\sum_i (X_i - X)(Y - Y)}{\sqrt{\sum_i ((X_i - X)^2 \sum(Y - Y)^2}}$$

Where "X" and "Y" is ranks of male and female respectively, "i" is the number of observation.

(c) Factor Analysis:

Factor analysis is a statistical technique that simplifies the complexity of multiple factors influencing a single variable by reducing them to a smaller set of factors directly associated with the variable(s). This reduction helps in identifying key factors that have a definitive impact on the variables or cases under study. By doing so, it minimizes the number of indicators needed to explain the relationships among the variables.

In this study, factor analysis has been employed to determine the correlation coefficients between each variable. Specifically, it has been used to identify which of the nine selected variables most significantly influence individual investors' decisions regarding mutual fund investments. This analysis helps in pinpointing the most critical factors affecting investment decisions.

HYPOTHESIS:

To analysis the pattern of investment in various mutual fund schemes based on the gender, the following hypotheses are considered:

Null Hypotheses (Ho): there is no significant difference in the selection of mutual fund schemes as an investment avenue between male and female investors.

Alternative Hypotheses (H1): There is a significant difference in the selection of Mutual Funds Schemes Avenue between male and female investors.

To explore specific type's mutual funds, the sub – hypotheses are

H1a: There is a significant difference between male and female investors when selecting growth funds.

H1b: There is a significant difference between male and female investors when selecting balanced mutual funds.

H1c: There is a significant difference between male and female investors when selecting tax-saving mutual funds.

H1d: There is a significant difference between male and female investors when selecting income/debt mutual funds.

H1e: There is a significant difference between male and female investors when selecting index mutual funds.

H1f: There is a significant difference between male and female investors when selecting money market funds.

DATA COLLECTION:

This study investigates the financial behavior and mutual fund preferences of individual investors in Andhra Pradesh, India. Data were collected using a pretested questionnaire administered to a combined sample of 200 financially literate investors selected through simple random and judgment sampling methods. Of these respondents, 120 were male and 80 were female.

Investors were required to have continuous investments in mutual funds and an annual income of less than INR 1 million. The sample included employees, self-employed individuals and entrepreneurs. All were tested on their knowledge of financial markets, mutual funds and various savings options.

The study covered nine major cities in Andhra Pradesh like Kurnool, Kadapa, Anantapur, Chittoor, Vijayawada, Rajahmundry, Nellore, Tirupati, and Visakhapatnam (as outlined in Table 1.1). Primary data collection involved personal interviews and structured questionnaires conducted between January 2023 and June 2024. Respondents were categorized based on their demographic characteristics, detailed in Table 1.0.

Table 1.0: Demographic Profile of Individual Investors by Age, Gender, Occupation, and Income

This table provides a demographic breakdown of individual investors based on age, gender, occupation, and income.

Category	Sub-category	Number of Respondents	
		Total (200)	(%)
Age	18-25	60	30
	26-35	40	20
	36-45	64	32
	46-55	26	13
	56 and above	10	5
Gender	Male	140	70
	Female	60	30
Occupations	Salaried	125	62.5
	Self-employed	55	27.5
	Entrepreneur	20	10
Annual Income	Up to 5 lakhs	143	71.5
	5-10 lakhs	55	27.5

Source: Primary data

Table 1.1: Area Profile of Respondents

This table provides a demographic breakdown of individual investors based on the area of residence in Andhra Pradesh.

City of Andhra Pradesh (India)	Number of respondents	Percentage (%)
Kurnool	40	20
Kadapa	36	18
Anantapur	20	10
Chittoor	26	13
Vijayawada	18	9
Rajahmundry	24	12
Nellore	16	8
Tirupati	14	7
Visakhapatnam	6	3
Total	200	100

Source: primary data

LIMITATIONS OF THE STUDY:

The study has several limitations that may affect the generalizability and robustness of the findings:

1. *Limited Sample Size:* The sample size is restricted to 200 respondents are educated individual investors. This may not represent the entire population of investors in Andhra Pradesh and could limit the generalizability of the study's findings.
2. *Selection Bias***:** Respondents were chosen based on their awareness of financial markets and investment options, as well as their current investments in mutual funds. This criteria may exclude less informed or less active investors, potentially skewing the results.
3. *Geographical Scope:* Data collection was confined to nine cities in Andhra Pradesh (Kurnool, Kadapa, Anantapur, Chittoor, Vijayawada, Rajahmundry, Nellore, Tirupati, and Visakhapatnam). This may not capture the perspectives and behaviors of investors in rural areas or other urban centers not included in the study.
4. *Sampling Techniques***:** Simple random and judgment sampling techniques were chosen due to constraints related to time and financial resources. Although practical, these methods could potentially introduce sampling bias and constrain the overall representativeness of the sample.
5. *Limited Time Frame:* The study was conducted over a specific period (January 2023 to June 2024), which may not encompass the full spectrum of market conditions. This could overlook fluctuations in stock market performance that influence investor behavior over time.
6. *External Factors:* External economic factors, such as changes in government policies or global market conditions, were not systematically analyzed. These factors can significantly impact investor decisions but were not explicitly accounted for in the study.

These limitations should be considered when interpreting the results of the study and when applying them to broader contexts or making policy recommendations based on the findings. Future research could address these limitations by expanding the sample size, diversifying sampling methods, extending the study period, and incorporating a wider geographical scope to enhance the study's validity and applicability.

ANALYSIS AND INTERPRETATION OF INVESTMENT PREFERENCE OF INDIVIDUAL INVESTORS BY GENDERS

Disciplined investing is crucial to safeguard hard-earned income for future financial security. Understanding an individual investor's asset preferences provides insights into their investment attitudes, shaping policies to encourage savings. This study examines the investment preferences of male and female investors using the Spearman Rank Correlation Test.

Ten investment options were selected based on surveys and literature reviews (NCAER 2010):

1. Secured deposits in commercial banks
2. Endowment policies linked to equities and debt
3. Government-sponsored saving schemes (e.g., PPF, EPF)
4. Corporation bonds, debentures and or public deposits
5. Preferred as well as equity stocks
6. Shared user accounts, ULIPs, and ELSS
7. Gold, silver, precious stones
8. Real estate (personal or investment)
9. Indian postal saving schemes
10. Other investments (e.g., art, handicrafts)

Respondents ranked each option on a scale of 1 to 10, where 1 indicated the most preferred and 10 the least preferred. These rankings were converted into ranks to assess the similarity in preferences between genders.

The Spearman Rank Correlation Coefficient between male and female preferences was found to be 0.5545, indicating moderate similarity in their rankings. This suggests that both genders show comparable preferences across investment options.

In conclusion, the study reveals that male and female investors exhibit similar directional strength in their rank preferences for various investment avenues. The differences between their preferences are minimal, implying that gender does not significantly influence investment decision-making in this context. This insight is valuable for formulating inclusive investment policies that cater to diverse investor preferences effectively.

Table 2.0: Rankings of Investment Options by Male and Female Respondents

Investment Options	Rank given by Male Respondents	Rank given by Female Respondents
Secured Deposits (Fixed Deposits etc)	1st (14.07%)	3rd (15.03%)
2. LIC Policies	5th (10.03%)	5th (9.78%)
3. Public Provident Fund / EPF / Pension schemes	6th (9.90%)	7th (8.21%)
4. Bonds / Debentures	9th (7.28%)	9th (4.75%)
5. Equity Shares	4th (10.54%)	8th (8.15%)
6. Mutual Funds / ULIP / ELSS	3rd (11.92%)	4th (9.78%)
7. Bullion (gold, silver, ornaments)	8th (9.15%)	1st (16.33%)
8. Real Estate	2nd (13.96%)	2nd (16.24%)

9. Postal Savings Schemes	7th (9.58%)	6th (9.69%)

Source: calculated

Interpretation:

Above table illustrates the rankings of investment options by male and female respondents, along with the percentage of respondents choosing each rank.

Secured Deposits: Male respondents rank this option 1st most frequently (14.07%), while female respondents rank it 3rd most frequently (15.03%). **LIC Policies:** Both male and female respondents rank LIC Policies similarly, with males at 5th (10.03%) and females at 5th (9.78%). **Public Provident Fund / EPF / Pension Schemes:** Males rank this option 6th (9.90%) and females rank it 7th (8.21%). **Bonds / Debentures:** Both males and females rank this option towards the lower end, with males at 9th (7.28%) and females at 9th (4.75%). **Equity Shares:** Males rank equity shares 4th (10.54%) while females rank them 8th (8.15%). **Mutual Funds / ULIP / ELSS:** Males rank this option 3rd (11.92%) and females rank it 4th (9.78%). **Bullion (gold, silver, ornaments):** Male respondents rank bullion 8th (9.15%) whereas female respondents rank it 1st (16.33%), indicating a significant gender difference in preference. **Real Estate:** Both male and female respondents highly rank real estate, with males at 2nd (13.96%) and females at 2nd (16.24%). **Postal Savings Schemes:** Males rank postal savings schemes 7th (9.58%) and females rank them 6th (9.69%). **Others:** Both males and females rank other forms of investments lowest, with males at 10th (2.80%) and females at 10th (2.12%). The table demonstrates the varying preferences of male and female investors across different investment options. While some preferences align closely, such as in real estate and LIC policies, significant differences exist, notably in preferences for bullion. These insights underline the importance of gender-specific analysis in formulating investment policies that cater to diverse investor preferences effectively.

3.0: Gender-wise Preferences for Different Schemes of Mutual Funds

The table below summarizes the ratings given by male (M) and female (F) respondents across various categories of mutual fund schemes:

Rating Category	Growth/Equity	Balanced	Tax Saving	Income/Debt	Index	Money Marke
Highly Favorable (Rating-1)	M: 55 F: 9	M: 46 F: 28	M: 63 F: 14	M: 30 F: 27	M: 5 F: 2	M: 13 F: 16
Favorable (Rating-2)	M: 38 F: 14	M: 38 F: 16	M: 50 F: 17	M: 28 F: 15	M: 4 F: 2	M: 14 F: 14
Somewhat Favorable (Rating-3)	M: 30 F: 18	M: 30 F: 8	M: 18 F: 21	M: 26 F: 7	M:36 F: 2	M: 25 F: 12
Not Very Favorable (Rating-4)	M: 12 F: 10	M: 20 F: 5	M: 6 F: 5	M: 37 F: 8	M:49,F:24	M: 30 F: 10
Not at All Favorable (Rating-5)	M: 5 F: 9	M: 6 F: 3	M: 3 F: 3	M: 19 F: 3	M:46,F:30	M: 58 F: 8

Source: Compiled. (M for male, F for female).

Growth/Equity Schemes: Male respondents rated these schemes more favorably than female respondents across all rating categories. **Balanced Schemes:** Male respondents generally rated these schemes similarly to female respondents, with minor variations in ratings. **Tax Saving Schemes:** Male respondents rated tax-saving schemes more favorably compared to female respondents, especially in the highly favorable category. **Income/Debt Schemes:** There is a mixed preference, with male respondents showing slightly higher favorability in some categories. **Index Schemes:** Female respondents rated index schemes less favorably compared to male respondents across all categories. **Money Market Schemes:** Male respondents consistently rated money market schemes less favorably compared to female respondents.

4.0: Chi-square results for different categories of mutual fund schemes based on the demographic profile of male and female respondents

Mutual Fund Scheme Category	Degrees of Freedom	Chi – Square Value	Table Value 5% Sig Level	Significant / Not Significant
Growth / Equity Schemes	4	21.81	9.41	Significant
Balanced Schemes	4	4.41	9.41	Not Significant
Tax Saving Schemes	4	21.191	9.41	Significant
Income / Debt Schemes	4	13.65	9.41	Significant

Index Schemes	4	11.24	9.41	Significant
Money Market Schemes	4	24.88	9.41	Significant

Source: Calculated

Interpretation:

➢ *Growth / Equity Schemes:* There is a significant difference in preferences between male and female respondents for Growth / Equity Schemes, as indicated by a chi-square value of 20.08, which surpasses the critical table value of 9.49 at the 5% significance level.

➢ *Balanced Schemes:* Preferences for Balanced Schemes do not show a significant difference between male and female respondents, as indicated by a chi-square value of 4.71, which is lower than the critical table value of 9.49 at the 5% significance level.

➢ *Tax Saving Schemes, Income / Debt Schemes, Index Schemes And Money Market Schemes:* Significant differences in preferences between male and female respondents are observed for these categories, as the chi-square values (22.579, 15.65, 13.67, and 25.77 respectively) exceed the critical table value of 9.49 at the 5% significance level.

These chi-square results provide statistical evidence of varying preferences between male and female respondents across different types of mutual fund schemes, highlighting the importance of gender-specific considerations in financial product design and marketing strategies.

Null Hypothesis Ho1(a): Preferences of male and female respondents regarding growth mutual fund scheme are same.

Calculated Chi-square Value: 20.08 and Table Value (DF=4, 5% significance level): 9.49

Conclusion: With a calculated chi-square value of 20.08 surpassing the table value of 9.49, the null hypothesis Ho1(a) is rejected. This leads to the conclusion that there exists a significant difference in preferences between male and female respondents regarding growth mutual fund schemes.

Null Hypothesis Ho1(b): Preferences of male and female respondents regarding balanced mutual fund scheme are same.

Calculated Chi-square Value: 4.71and Table Value (df=4, 5% significance level): 9.49

Conclusion: The calculated chi-square value (4.71) is less than the table value (9.49), suggesting that the null hypothesis Ho1(b) is accepted. It can be concluded that there is no significant difference in preference between male and female respondents when it comes to balanced mutual funds.

Null Hypothesis Ho1(c): Preferences of male and female respondents regarding tax saving scheme are same.

Calculated Chi-square Value: 22.579 and Table Value (df=4, 5% significance level): 9.49

Conclusion: The calculated chi-square value (22.579) exceeds the table value (9.49), leading to the rejection of the null hypothesis Ho1(c). Therefore, it can be concluded that there is a significant difference in preferences between male and female respondents regarding tax saving mutual fund schemes.

Null Hypothesis Ho1(d): Preferences of male and female respondents regarding income scheme are same.

Calculated Chi-square Value: 15.65 and Table Value (df=4, 5% significance level): 9.49

Conclusion: The calculated chi-square value (15.65) exceeds the table value (9.49), leading to the rejection of the null hypothesis Ho1(d). Therefore, it can be concluded that there is a significant difference in preferences between male and female respondents regarding income scheme mutual funds. Income schemes, which typically invest in fixed income securities such as bonds and corporate debentures, appeal differently to male and female investors.

Null Hypothesis Ho1 (e): Preferences of male and female respondents regarding index scheme are same.

Calculated Chi-square Value: 13.67 and Table Value (df=4, 5% significance level): 9.49

Conclusion: The calculated chi-square value (13.67) exceeds the table value (9.49), leading to the rejection of the null hypothesis Ho1 (e). Therefore, it can be concluded that there is a significant difference in preferences between male and female respondents regarding index scheme mutual funds. Index schemes, which aim to replicate the performance of a particular index, attract different levels of interest from male and female investors.

Null Hypothesis Ho1(f): Preferences of male and female respondents regarding money market mutual fund schemes are same.

Calculated Chi-square Value: 25.77 and Table Value (df=4, 5% significance level): 9.49

Conclusion: The calculated chi-square value (25.77) significantly exceeds the table value (9.49), leading to the rejection of the null hypothesis Ho1(f). Therefore, it can be concluded that there is a significant difference in preferences between male and female respondents regarding money market mutual fund schemes.

The goals of money market funds are to provide easy liquidity, preservation of capital, and moderate income. This difference in preferences suggests that male and female investors perceive and prioritize these characteristics differently when considering investing in money market funds.

The study on scheme preference among individual investors indicates a strong inclination towards open-ended mutual fund schemes, with 78% of respondents favoring them. Close-ended schemes attracted 15% of respondents, while interval schemes garnered 7% preference.

To delve deeper into the factors influencing scheme selection, a survey was conducted using a five-point scale ranging from strongly disagree to strongly agree. Factor analysis was employed using SPSS to explore relationships among nine selected variables, aiming to identify underlying reasons that might link these variables together.

Key statistical tests were applied to validate the suitability of factor analysis:

• Bartlett's test of sphericity yielded a significant chi-square statistic of 232.768 with 36 degrees of freedom, indicating that relationships between variables were sufficiently strong for factor analysis (p < .0001).

• The Kaiser-Meyer Olkin (KMO) measure of sampling adequacy was 0.663, indicating that the data were adequate for factor analysis (since KMO > 0.5).

Factor extraction utilized Varimax rotation with Kaiser Normalization, a common method to simplify interpretation by maximizing variance of squared loadings. This process resulted in the identification and naming of factors, albeit subjectively determined based on the analysis. the study provides insights into the strong preference for open-ended mutual fund schemes among individual investors, supported by rigorous statistical analysis of survey data using SPSS.

KMO & Bartlett's Test

Test	Value
Kaiser-Meyer-Olkin (KMO) of Sampling Adequacy	0.663
Approx. Chi-Square	232.768
Degrees of Freedom (df)	36
Significance (Sig.)	.000

Communalities

Variable	Initial Communalities	Extraction Communalities
Safety	1	0.717
Liquidity	1	0.649
Flexibility	1	0.582
Good return	1	0.514
Capital appreciation	1	0.631
Professional management	1	0.645
Tax benefit	1	0.612
Diversification benefit	1	0.623

Source: Calculated Extraction Method: Principal Component Analysis

5.0: Communalities, Initial Eigenvalues, Extraction Sums of Squared Loadings and Rotation Sums of Squared Loadings

Component	Initial Eigenvalues	Extraction Sums of Squared Loadings	Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %
1	2.185	22.175	26.454
2	1.394	15.487	38.671
3	1.289	14.320	52.991
4	1.178	13.086	66.078
5	0.842	9.357	75.435
6	0.778	8.643	84.077
7	0.573	6.368	90.445

Source: Calculated Extraction Method: Principal Component Analysis (PCA)

In factor analysis, the table illustrates the Eigenvalues associated with each principal component extracted, showing the proportion of variance explained by each component. Extraction and rotation sums of squared loadings indicate how much of the variance in the original variables is accounted for by the factors identified during the analysis.

According to Kaiser's criterion, only variables with Eigenvalues greater than one were retained (Table 3.2). This selection resulted in Factor 1 explaining 23.184% of the variance, Factor 2 explaining 15.487%, Factor 3 explaining 14.320%, and Factor 4 explaining 13.086%. Collectively, these factors accounted for 66.078% of the total variance. To enhance interpretability and provide identifiable factors, Varimax Rotation (Table 3.4) was employed to refine and name these factors based on the underlying data patterns.

6.0: Factors Influencing Scheme Selection (Rotated Component Matrix)

Factors	Component			
	1	2	3	4
Safety	0.820	0.177	-0.076	-0.089
Liquidity	0.763	0.099	0.045	-0.275
Flexibility	0.172	-0.120	0.526	-0.112
Good Return	-0.264	0.323	0.730	0.007
Capital Appreciation	-0.657	0.184	-0.020	-0.201
Professional Management	-0.050	0.080	-0.333	0.749
Tax Benefit	-0.002	0.772	0.087	-0.192

Diversification Benefit	-0.105	-0.107	0.528	0.514
Reputation of the Sponsor	0.096	0.197	-0.064	0.727

Source: Calculated Extraction Method: Principal Component Analysis Rotation Methods: Varimax Rotation with Kaiser Normalization Converges after 5 Iterations.

The factors loading indicate which variables are associated with each factor, to what extent, and in what direction - similar to correlation coefficients. Analysis of the factor loadings reveals the following insights.

Factor 1 (Secured Investment) combines the variables of safety and liquidity. This suggests that investors prioritize the safety of their initial investments and prefer mutual funds that offer liquidity, especially in volatile market conditions.

Factor 2 (Tax Saving benefit) shows a strong preference among the both male and female investors for mutual funds that offer tax – saving benefits. This factor highlights the importance of tax considerations in investment decisions.

Factor 3 (Past Performance) indicates that individual investors respond positively to consistent incremental returns in net asset value. This suggests that historical performance plays a significant role in investors' decisions, reflecting their reliance on past trends.

Factor 4 (Professionalism and Reputation of Fund House) underscores the importance placed by investors on the reputation and professionalism of the asset management company (AMC) sponsoring the mutual fund. This factor indicates that investors consider the reputation of the sponsor and the professionalism of the AMC when making investment choices.

These interpretations illustrate how factor analysis can uncover underlying factors that influence investors' preferences and decision-making processes in mutual fund investment.

FINDINGS OF THE STUDY:

The study aimed to uncover the Retail investor's exhibit different behavioral tendencies when considering various investment opportunities, testing several hypotheses to draw meaningful conclusions. The research concludes with the following key findings that hold significant value for both investors and companies offering investment opportunities:

Investor Sentiment on Mutual Funds: During the study period, there was a notable lack of positive sentiment towards mutual funds. This sentiment was largely influenced by the underperformance of the secondary market and the volatility observed in fixed income securities.

Gender Differences in Mutual Fund Preferences: Significant differences were observed between male and female investors regarding their preferences for mutual fund schemes. Female investors showed a preference for income and balanced schemes, whereas male investors favored growth and tax-saving schemes

The research highlighted that safety and liquidity are primary drivers prompting investors to select mutual fund schemes. Moreover, past performance and tax advantages were found to be key factors shaping investor preferences. The expertise of fund managers and the reputation of the funds also exerted considerable influence on investment choices.

RECOMMENDATIONS:

Given the study's findings, the following recommendations are proposed to enhance mutual fund attractiveness and investor participation:

➢ *Product Customization:* Tailoring mutual fund products to align with investor preferences and market conditions is crucial. Fund managers should analyze demographic profiles and investor behavior to optimize performance and meet investor expectations effectively.

➢ *Preference for Open-Ended Funds:* Given the strong investor demand for liquidity and preference for open-ended funds, it is advised that new schemes predominantly offer open-ended structures. Asset management companies (AMCs) should expand their service network to facilitate convenient over-the-counter redemption.

➢ *Role of Agents:* Recognizing the pivotal role of agents in promoting mutual fund culture (Syama Sunder, 1998), efforts should be made to empower and incentivize agents. Introducing entry loads by SEBI (Securities and Exchange Board of India) could further motivate mutual fund distributors, thereby boosting investor participation.

CONCLUSION:

The sentiment towards mutual funds among investors in Andhra Pradesh is cautious, influenced by the poor performance of the secondary market and the instability in fixed income securities This suggests a need for strategies to enhance market confidence and educate investors on risk management.

Significant gender-based differences were observed in investment preferences. Female investors tend to favor income and balanced schemes, emphasizing stability and regular income. In contrast, male investors show a preference for growth-oriented schemes and tax-saving options, indicating differing risk appetites and financial goals. Safety and liquidity are paramount factors guiding investment decisions among mutual fund investors in the region. Investors prioritize schemes that offer capital security and easy liquidity. Additionally, past performance, tax benefits, and the reputation of fund management play crucial roles in influencing investment choices. Industry stakeholders, including asset management companies (AMCs), can capitalize on these insights by designing more tailored and transparent investment products. Enhancing investor awareness through targeted educational initiatives and improving accessibility through digital platforms can further bolster mutual fund participation. In conclusion, this study underscores the importance of aligning mutual fund offerings with investor preferences and market dynamics in Andhra Pradesh. By addressing these preferences and concerns, the mutual fund industry can foster greater investor confidence and sustainable growth in the region.

REFERANCES:

1. Raj, K. R., & Mohapatra, P. K. J. (2015). "Investment Pattern of Mutual Fund Investors in Andhra Pradesh." International Journal of Social Sciences & Interdisciplinary Research, 4(2), 13-21.

2. Bhattacharya, S., & Singh, P. (2017). "A Study on Investment Pattern of Mutual Fund Investors with Special Reference to Andhra Pradesh." International Journal of Engineering Technology, Management and Applied Sciences, 5(5), 274-283.

3. Chakraborty, I., & Mishra, T. (2018). "Investment Pattern of Mutual Fund Investors: A Study in Andhra Pradesh." International Journal of Management, Technology and Engineering, 8(1), 2665-2673.

4. Sharma, A., & Gupta, M. (2016). "An Empirical Study of Investment Pattern of Mutual Fund Investors in odisha." Asian Journal of Management, 7(3), 171-178.

5. Reddy, B. S., & Rao, K. V. (2019). "Investment Behavior of Mutual Fund Investors: A Study with Reference to Andhra Pradesh." Paripex-Indian Journal of Research, 8(3), 47-49.

6. Sikidar, S & Singh, A. P. (1996). ''Financial Services: Investment in Equity and Mutual Funds – A Behavioural Study. '' In Bhatia B. S. & Batra G. S. (Eds.), Management of Financial Services (Chapter 10, pp. 136-145). Deep and Deep Publications, New Delhi.

7. Syama Sundar, P. V. (1998). ''Growth Prospects of Mutual Funds and Investor Perception with Special Reference to Kothari Pioneer Mutual Fund. '' Project Report, Sri Srinivas Vidya Parishad, Andhra University, Visakhapatnam.

8. SEBI – NCAER (2000). Survey of Indian investors, SEBI, Mumbai.