A Study on Attitude of Brokers towards the Mutual Fund Investments

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Abstract
Financial system comprises of financial institutions, services, market and instruments. Financial institutions mobilize resources, purchase and sell instruments and render various services in accordance with the practices and procedures of law. Investing in financial securities is a complex one involving knowledge of various investment tools, terms, concepts, strategies and process. The success of a financial brokering activity depends on the knowledge and ability of broker to invest the right amount, in the right type, at the right time. Broker has to use his intellect, which is an art to acquire by learning and experience. Knowledge of financial investment principles and the art of investment management are the basic requirements for a successful investment. The Mutual fund industry is an organized financial system, accessible to individual investors having varied needs and options. In order to identify the preferences of brokers and investors for mutual funds, a careful collection of primary data through questionnaire was collected. Schedules were used to collect data from fund managers on mutual funds.

Keywords: Asset Management Company (AMC), Association of Mutual Funds of India (AMFI), Compound Annual Growth Rate (CAGR), Capital Asset Pricing Model (CAPM), Indian Mutual Fund Industry (IMFI), General Insurance of Corporation(GIC), Credit Rating Information Services of India Limited (CRISIL).

1. Introduction

Financial system comprises of financial institutions, services, market and instruments. Financial institutions mobilize resources, purchase and sell instruments and render various services in accordance with the practices and procedures of law. Investing in financial securities is a complex one involving knowledge of various investment tools, terms, concepts, strategies and process. The success of a financial brokering activity depends on the knowledge and ability of broker to invest the right amount, in the right type, at the right time. Broker has to use his intellect, which is an art to acquire by learning and experience. Knowledge of financial investment principles and the art of investment management are the basic requirements for a successful investment.

The financial securities include ownership securities (like shares, mutual fund units) and creditorship securities (like debentures, bonds). Ownership securities are more risky than creditorship securities. Broker's decisions relating to ownership securities involve planning of investment strategies according to the extent of diversification desired by individuals. Brokers can reduce risk and maximize returns by way of mutual fund investments, enjoying the expertise of professional fund management. In India, mutual fund industry is an organized financial system, accessible to individual investors having varied needs and options. In order to identify the preferences of brokers and investors for mutual funds, a careful collection of primary data through questionnaire was collected. . Schedules were used to collect data from fund managers on mutual funds.

1.1. Objectives
The objective of the study was defined carefully and the research objectives were set.
- To analyze the opinions of the investors attitude towards the investment in mutual funds in dindigul.

1.2. Hypotheses

- There is relationship between personal profiles and opinions of mutual fund brokers the attitude of investment mutual funds in Dindigul district

1.3. Review of Literature

The following is a brief account of research articles published in books, financial dailies, magazines and research journals by academicians, professionals and journalists explaining the concepts of mutual funds, its importance, features, schemes, investment pattern, method of reading a mutual fund prospectus, how to choose a scheme and Significance of IMFI in the economic development of India.

- Vimmy Arora and Nisha Pannu (2013)[1] in their research they analysis the mutual funds have shown a tremendous growth in India for the last some years. But seldom are the investors interested to know that actually where there hard earned money is further invested. It is not just a fluke that some of the funds multiply the investors' money overnight and some of the funds do not even give a minimal return even after staying for years in the market. So, this paper is just an attempt to know the various strategies, objectives, sectors and companies which are chosen by fund managers to invest the investors' money. 5 Mutual Funds have been chosen on the basis of their category i.e. growth fund. We have used secondary data. In the conclusion part we have come up with reasons that why the some of the mutual fund schemes are performing well beyond the expectations.
- Sanjay Kant Khare (2007)[2] opined that investors could purchase stocks or bonds with much lower trading costs through mutual funds and enjoy the advantages of diversification and lower risk. The researcher identified that, with a higher savings rate of 23 percent, channeling savings into mutual funds sector has been growing rapidly as retail investors were gradually keeping out of the primary and secondary market. Mutual funds have to penetrate into rural areas with diversified products, better corporate governance and through introduction of financial planners.

Lu Zheng (1999)[3] "is money smart? A Study of Mutual Fund Investors' Fund Selection Ability", had examined the fund selection ability of MF investors. he found that the investors' choose funds based on short-term future performance.

Krishnamurthi S (1997)[4] identified mutual funds as an ideal investment vehicle for small and medium investors with limited resources, to reap the benefits of investing in blue chip shares through firm allotment in primary market, avoid dud shares, access to price sensitive information and spread risk along with the benefits of professional fund management.

Sujit Sikidar and Amrit Pal Singh (1996)[5] " Financial Services: Investment in Equity and mutual funds, had revealed that the salaried and self-employed were the major investors in mutual funds, primarily due to tax concessions. UTI and SBI Schemes were popular in the country during the time of their survey and other funds had not proved to be a big hit then.

- Shukla and Singh (1994)[6] attempted to identify whether portfolio manager's professional education brought out superior performance. They found that equity mutual funds managed by professionally qualified managers were riskier but better diversified than the others. Though the performance differences were not statistically significant, the three professionally qualified fund managers reviewed outperformed others.
- Gupta L C (1992)[7] attempted a household survey of investors with the objective of identifying investors' preferences for mutual funds so as to help policy makers and mutual funds in designing mutual fund products and in shaping the mutual fund industry.
- Gangadhar V (1992)[8] identified mutual funds as the prime vehicle for mobilization of household sectors' savings as it ensures the triple benefits of steady return, capital appreciation and low risk. He identified that open-end funds were very popular in India due to its size, economies of operations and for its liquidity. Investors opted for mutual funds with the expectation of higher return for a given risk, greater convenience and liquidity.
- The studies on mutual fund investment performances have long sought to draw the distinction between the ability to time the market and the ability to forecast the returns of individual assets. Thus superior performances are due to either timing or selection ability or some combination of the two. Indeed portfolio managers often characterize themselves as market timers or stock pickers

1) [1] Vimmy Arora & Nisha Pannu "A Study Of Re-Investment Strategy Of Five Mutual Funds With Special Reference To Growth Funds" International Journal Of Research In Commerce & Management Volume No. 4 (2013), Issue No. 08 (August) pp.135-138
2) [2] Sanjay Kant Khare 2007, "Mutual Funds: A Refuge for Small Investors", Southern Economist, (January 15, 2007), pp.21-24.
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1.4. Sample Size
The sample size for this study is 490 brokers of mutual funds in dindigul city out of entire population 2010 which consists of 20% of the population. Random numbers were generated and using random number tables 490 brokers were selected.

1.5. Sources of Data
Data were collected through both primary and secondary data sources. Primary data was collected through questionnaires. The research was done in the form of direct personal interviews and through telephone interviews.

 1.5.1. Primary Data
A primary data is a data, which is collected afresh and for the first time, and thus happen to be original in character. The primary data with the help of questionnaire were collected from various brokers.

1.5.2. Secondary Data
Secondary data consist of information that already exists somewhere, have been collected. Secondary data is collected from company websites, other websites, company fact sheets, magazines and brochures.

1.5.3. Statistical Tools
The statistical tools used for this analysis are:
To analyze the Socio Economic Profile of the respondents the percentage analysis was used. The profiles and attitude of brokers were analyzed with Weighted Score Technique and Kruskal Wallis test.

1.6. Profiles of Brokers
The differences in the personal characteristics of individual brokers influence the choice and preference for investments. Hence to understand the nature and characteristics of respondents covered under the study, an analysis of the information regarding their socio-economic background of the brokers is carried out in this part of the research work.

1.6.1. Age of the Brokers
Age is a common factor that decides the merit of many an individual in various sectors. Even among the brokers their age counts in making the decision of the investors. The preference is neither for youngsters/ freshers nor for the well experienced. The age-wise distribution of the sample brokers in mutual funds is given in Table 1.

S.NO	Age	No of brokers	Percentage
1	Below 30	121	24.7
2	31-40	172	35.1
3	41-50	135	27.6
4	Above 50	62	12.7
Total		490	100

Table 1:Age-wise Distribution
Source: Primary Data

From Table 1 it can be inferred that young and active brokers between 31-40 with a moderate experience were the most sought after category with 35.1 per cent, middle aged brokers in the 41-50 category with 27.6 per cent, closely followed by the fresher's group below 30 with 24.7 per cent and finally the eldest group above 50 coming as last with 12.7 per cent of the total respondents. It is concluded that investor's preference was towards young and active brokers between 31-40 since they were dynamic, energetic and reasonably experienced. At the same time the investors are not in favour of well experienced, elderly brokers who might not be as dynamic as the first category

1.6.2. Educational Qualifications of the Brokers
Education is another criterion that decides the performance of the brokers. The brokers need to know about the pros and cons of mutual fund investment scheme looking into the viable factors of investment before committing funds. For this educational background with minimum financial knowledge will be helpful. The qualification of brokers is an important aspect related to investments in mutual funds. The status of brokers as per their educational qualification is analyzed in Table 2 below.

Sl. NO	Educational Qualification	No. of Brokers	Percentage
1	School level	115	23.5
2	Under graduates	165	33.7
3	Post graduates	134	27.3
4	Professional degree	76	15.5
	Total	490	100

Table 2: Educational Qualification of the Brokers
Source: Primary Data

It can be observed from the Table 2 that the first choice of investors are the undergraduate brokers with 33.7 per cent , followed by more qualified post graduates with 27.3 per cent , this school level educated with 23.5 per cent and finally professional degree holders with 15.5 per cent. It is concluded that though the investors preferred educated brokers, the better qualified post graduates and professional degree holders were not their choice since their main target will be better avenues in government and educational sectors than being a commission based broker in mutual fund sectors. The undergraduate brokers might not be having the scope of alternate jobs and hence would have to stick on to their present business. Therefore they might evince keen interest in impressing their customers with their hard work and diligence. Hence the investors preferred this type of brokers.

1.6.3. Experience of the Brokers
As in any other profession, experience is a main factor in deciding the merit of the mutual fund brokers. Along with age and educational qualification, the number of years of experience as brokers makes them the preference of investors. The range of their experience is discussed vide table 3.

Sl. NO	Experience	No. of brokers	Percentage
1	Below 5years	106	21.6
2	5 to 10 years	177	36.1
3	10 to 20 years	115	23.5
4	Above 20 years	92	18.8
	Total	490	100

Table 3: Experience Standard of the Brokers
Source: primary Data

As in earlier categories, the middle aged brokers in the experience group   5 -10 years lead with 36.1 per cent, followed by those having 10-15 years experience with 23.5 per cent, closely chased by those below five years with 21.6 per cent and finally those above 20 years having 18.8 per cent of the preference. The same logic that young, energetic and moderately experienced seemed to be first preference of the investors. The more the brokers are experienced less is the choice of the investors

1.6.4. Financial Assets: Degree of Safety of the Brokers
Every investor would like to have his money safely deposited as per his choice. The brokers have a greater responsibility in guiding the investors. The perception of the brokers is analyzed according to the available channels of investment vide Table 4.

Financial Assets	Absolutely Safe	Reasonable Safe	Somewhat Safe	Not Safe	Don't Know	Total Score	Rank
Bank deposits	167 (34.1%)	111 (22.7%)	112 (22.9%)	54 (11.0%)	46 (9.4%)	1769	1
Savings scheme	127 (25.9%)	157 (32.0%)	106 (21.6%)	50 (10.2%)	50 (10.2%)	1731	2
Bonds and debentures	92 (18.8%)	132 (26.9%)	147 (30.0%)	71 (14.5%)	48 (9.8%)	1619	3
Equity shares	56 (11.4%)	69 (14.1%)	213 (43.5%)	99 (20.2%)	53 (10.8%)	1446	6
Mutual funds	70 (14.3%)	143 (29.2%)	174 (35.5%)	50 (10.2%)	53 (10.8%)	1597	4
Insurance policies	66 (13.5%)	113 (23.1%)	163 (33.3%)	88 (18.0%	60 (12.2)	1507	5

Table 4: Degree of Safety of the Brokers
Source: primary data

The bank deposits have a high credibility level with a maximum score of 1769, followed by the various savings schemes with a score of 1731, bonds and debentures with a score of 1619, mutual funds with a score of 1597, insurance policies with a score of 1507 while the lowest credibility level was secured by equity shares having a score of 1446. As per the table the brokers have perceived that the bank deposits were the most reliable mode of investments because of the RBI's protective regulations. Similarly the various savings schemes in government departments like the post office were considered highly safe. The uncertainty linked with equity shares mad it as the lowest preference of the investment mode.

1.6.5. Preference of Sectors of the Brokers
Mutual fund investments are sponsored by various sectors like the bank and other public sector institutions as well as private sector joint ventures – both Indian and foreign. The appreciation level of each of the sectors is analyzed and presented in the Table given below.

Rank / Sectors	1	2	3	4	5	Total Score	Rank
Bank sponsored mutual fund	362	63	33	0	32	2193	1
Institution sponsored mutual fund	0	139	131	182	38	1351	3
Private- Indian mutual fund	33	37	250	94	76	1327	4
Private Joint venture (predominantly) Indian	0	184	0	39	267	1081	5
Private Joint venture (predominantly) Foreign	95	67	76	175	77	1398	2

Table 5: Preference of Sectors of the Brokers
Source: Primary Data

The bank sponsored mutual funds have the highest preference level with a maximum score of 2193, followed by private joint venture of foreign concerns scoring 1398, institution sponsored mutual fund with 1351, private- Indian mutual fund with 1327 and finally the Indian private joint venture having the least score of 1081. Here again the bank related mutual funds had a great credibility level because of RBI regulations. The foreign private joint venture had a higher credibility than the Indian counterpart.

1.6.6. Preference of Fund Objective of the Brokers

The multiple types of mutual funds have various objectives at their inception like income, growth, balanced and money market etc. The brokers have a preference level among these objectives which is analyzed and presented in the Table given below

Rank / Fund objective	1	2	3	4	5	Total Score	Rank
Growth	282	137	36	0	35	2101	1
Income	146	187	68	55	34	1826	2
Balanced	10	10	141	245	84	1087	4
ELSS	26	33	0	149	282	842	5
Money market	26	123	245	41	55	1494	3

Table 6: Preference of Fund Objective of the Brokers
Source: Primary Data

As per Table 6 the brokers seem to have a priority for growth oriented funds which had obtained a score of 2101 followed by income funds with a score of 1826, money market with 1494, balance funds with 1087 and the lowest preference being obtained by ELSS with score of 842. It is concluded that the majority of the brokers go in for growth as main objective.

1.6.7. Important Factors Needed For a Mutual Fund of the Brokers
After the inception of a mutual fund, there will be various factors that go to operate the funds--- quality of service, research, suitability, and risk orientation etc., These factors are analyzed and the preference of the brokers of these factors and presented in the Table given below

Factors	Very important	Important	Not important	Neutral	Not at all important	Total Score	Rank
Quality of service	86 (17.6%)	118 (24.1%)	176 (35.9%)	73 (14.9%)	37 (7.6%)	1613	3
Suitability of product	124 (25.3%)	94 (19.2%)	156 (31.8%)	94 (19.2%)	22 (4.5%)	1674	1
Research	108 (22.1%)	81 (16.6%)	169 (34.6%)	106 (21.7%)	25 (5.1%)	1608	4
Risk orientation	131 (26.7%)	91 (18.6%)	114 (23.3%)	112 (22.9%)	42 (8.6%)	1627	2
No. of investors service center	105 (21.4%)	76 (15.5%)	180 (36.7%)	103 (21.0%)	26 (5.3%)	1601	5

Table 7: Important   Factors Needed for a Mutual Fund Brokers
Source: Primary Data

As per the Table 7, the brokers feel that the suitability of product stand as the most important of the factors with a score of 1674, closely followed by risk orientation with 1627, followed by quality of service with 1613, research factor with 1608 and even the last preferred factor viz., number of investors service center closely following with a score of 1601. It is observed that the suitability of the product stands high while all the other factors of were seen nearly equally important.

1.6.8. Degree of Agreement with the Mutual Fund Brokers
        The response of the brokers regarding the degree of agreement towards the mutual funds ha been surveyed and the findings were found to be much useful for the analysis of the study. Various factors were found to be operating on that count for which the brokers were agreeable strongly at certain points and disagreed strongly at certain other points, with some brokers oscillating in between these two.

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total Score	Rank
Investing in funds is less risky Compared to shares.	23 (4.7%)	41 (8.4%)	329 (67.1%)	25 (5.1%)	72 (14.7%)	1388	6
Mutual funds are more suitable to Small investors who are otherwise Hesitant of entering into capital market	138 (28.2%)	127 (25.9%)	109 (22.2%)	88 (18.0%)	28 (5.7%)	1729	1
Mutual funds have the ability to weather the market fluctuation.	129 (26.3%)	112 (22.9%)	119 (24.3%)	106 (21.6%)	24 (4.9%)	1686	2
Risk and return characteristics of Indian MFs are not in conformity With their started objectives	101 (20.6%)	66 (13.5%)	118 (24.1%)	183 (37.3%)	22 (4.5%)	1511	5
Investing in funds is much better in terms of returns than depositing Money in banks.	110 (22.4%)	142 (29.0%)	96 (19.6%)	101 (20.6%)	41 (8.4%)	1649	3
Growth schemes are highly Preferred to income schemes.	91 (18.6%)	127 (25.9%)	122 (24.9%)	124 (25.3%)	26 (5.3%)	1603	4

Table 8: Degree of Agreement with the Mutual Fund Brokers
Source: Primary Data

As per Table 8 the leading factor viz., the suitability of small investors stands with a score of 1729 , the next being ability to weather marketing fluctuation with a score of 1686 followed by better returns than bank deposits with a score of 1649, and finally the risk factors standing with the lowest score of 1388. Hence it is concluded that a small investments were more suitable for investing in mutual funds according to the brokers.

1.7 Profiles of Brokers and their Attitude Score.
To explore the relationship between profile of respondent and the attitudes score of mutual funds, the Kruskal Wallis one way ANOVA test had been applied.

1.7.1. Age and Attitude of the Brokers
The Kruskal Wallis test was administered to verify the null hypothesis that there is no significant difference in the attitude scores of different groups of brokers classified according to age. The results of the test are presented vide Table 9.

	Attitude Score
Chi-square	0.966
Degree of freedom	3
Level of significant	0.810

Table 9: Age and Attitude of the Brokers
Source: primary data

From Table 9 it is observed that, with regard to the overall attitude score, the value of the level of significance was more than 0.05 (5 per cent level), and hence the null hypothesis was accepted. It is seen that age factor had not influenced the opinion score of broker's towards investment of mutual fund.

1.7.2. Experience and Attitude of the brokers
In order to test whether there is any relationship between the experience and the attitude scores the Kruskal-Wallis test had been applied to examine the following null hypothesis.
        There is no significant difference in the attitude scores of broker's attitude towards investment in mutual funds among different groups of brokers based on experience. The results are shown in Table 10.

	Attitude Score
Chi-square	3.008
Degree of freedom	3
Level of significant	0.390

Table 10: Experience and Attitude of the Brokers
Source: primary data

From the Table 10 it is observed that, with regard to the overall attitude score, the value of the level of significance was more than 0.05 (5 per cent level), and hence the null hypothesis was accepted. It is seen that experience factor had not influenced the opinion score of broker's attitude towards investments in mutual fund

1.7.3. Education and Attitude of the Brokers
In order to test whether there is any relationship between the educational level and the attitude scores the Kruskal-Wallis test had been applied to examine the following null hypothesis.
        There is no significant difference in the opinion scores of attitude towards investment in mutual funds among different groups of brokers based on education. The results are shown in Table 11.

	Attitude Score
Chi-square	0.604
Degree of freedom	3
Level of significant	0.896

Table 11: Education and Attitude of the Brokers
Source: Primary data

From Table 11 it is observed that, with regard to the overall attitude score, the value of the level of significance was more than 0.05 (5 per cent level), and hence the null hypothesis is accepted. It is seen that education factor had not influenced the attitude score of broker's attitude towards investment in mutual funds.

2. Conclusion
A detailed analysis of the functions and responsibilities of brokers also have been elaborately presented under various counts: age, experience- and education-wise. In addition to the discussion on the funds namely degree of safety, preference of sector and fund objectives avenues, the various factors important for a mutual fund and degree of agreement towards mutual fund had also been attempted to. Broadly it has been observed that middle level, young and reasonably experienced brokers were found to be in the preference category. With mutual funds the safety level was the first priority which is mostly connected with bank deposits and related savings.

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