IMAPCT OF INVESTORS' EDUCATION ON INVESTMENT DECISION MAKING IN MUTUAL FUND MARKET

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Abstract
The paper examines the response of the investors to the investor education programs and the impact of investor education programs on investor responsibility levels, on the use of unbiased information sources for making 'an investment decision and future intensions to invest in mutual funds.

Key Words: Investors, Education, Decision Making.

Introduction
The mutual fund is basically a risk reduction tool is achieved by diversification of the portfolio. Diversification means that a mutual fund invests in a large number of shares and investments, which lower the risk. Further, the investment decisions of fund manager are based on intensive research and experience. The yardstick for judging the performance of mutual funds is Net Asset Value (NAV). The NAV is the current market value of the fund's portfolio (net of liabilities if any) when the number of shares issued divides the NAV, we get the net asset value per share. Mutual funds have a significant role in channalising savings into the capital market. When the first mutual fund, Unit Trust of India was set up, the primary objective at that time was to prod the small investor to saver the benefits of stock market investing in an affordable manner and inculcate a habit of financial saving as opposed to physical saving. But an analysis of the unit holding pattern of Mutual funds shows that the retail investors for whom Mutual Funds were expected to be the primary investment vehicle, hold only 39.77 % of total net assets of Mutual Funds industry.

Review of the Literature
The path breaking works of Sharpe (2006), Treynor (2007), Treynor and Mazuy (2008), Jensen (1968), Fama (2009), Merton (2010), Henriksson and Merton (2011), Henriksson (2012), and those of other researchers are widely acknowledged and used botll by academics and practitioners in performance evaluation of managed portfolios. The later studies have made several refinements, up-gradation, and extension of earlier works in terms of methodology, coverage and estimation. The pioneering work on the mutual funds in U.S.A. was done by Friend, et al., (1960) in Wharton School of Finance and Commerce for the period 1953 to 1958. They made an extensive and systematic study of 152 mutual funds and found that mutual fund schemes earned an average annual return of 12.4 percent, while their composite benchmark earned a return of 12.6 percent. Treynor (2012) developed a methodology for evaluating mutual fund performance that is popularly referred to as reward to volatility ratio. This measure has been frequently used both by researchers and practitioners for performance evaluation of mutual funds. The approach developed by Treynor takes beta or systematic risk to assess the premium per unit of risk.

Objectives of the Study
1. To find out the impact of investor education on investor responsibility levels, future intensions to invest in mutual funds.
2. To make appropriate suggestions in order to improve the perception and educations of investors towards the investment in mutual fund market.

Methodology of the Study
The study is analytical in nature and it explores both primary and secondary data. The study on individual mutual fund investor behavior was conducted in Amaravathi Capital Region Development Authority (CRDA), Andhra Pradesh is being the capital of Andhra Pradesh has been chosen for the study. Simple random sampling method has been adopted in selecting the respondents for the study. Totally 900 questionnaires were distributed to mutual fund investors but only 720 questionnaires were returned. Of this only 606 questionnaires were found to be complete in all aspects and fit for analysis. Primary data was collected through a formal questionnaire administered to the respondents. Reliance was also placed on the secondary data made available on the subject and also the research of similar studies conducted in the same area. The references of secondary data were also made from published works like books, journals, reports, magazines, dailies and also through various websites. The data collected from both the sources were scrutinized, edited and tabulated. square analysis.

Investor Education Programs: Discussions and Results
1. Impact of Investor education programs on investor responsibility
Cluster analysis brought out two segments of investors for each of the classification (pre investment behavior and post investment behavior) having clear and differentiated behavioral strengths and weaknesses. An analysis reveals that
- Only 208 (34 percent) of the respondents have read the investor education materials, while 398 (66 percent) have not read any investor education material.
- A dismally low 97 respondents (16 percent) have attended the investor awareness and education programs conducted by SEBI while 509 respondents (84 percent) have not attended the programs.
- To test whether investor education has contributed towards the enhancement of investor responsibility among the 208 and 97 respondents who have read the investor education material and attended the investor education program respectively, a non parametric chi-square is performed using the application of cross tabs.
- 30 percent of the respondents who read the investor education material fall in the category of investors exhibiting moderate responsible behavior while a higher 37 percent of them fall in the category exhibiting high pre investment responsible behavior.
- It can be inferred from the above analysis that investor education enhances responsible investment behavior.

2. Relationship between Investor education and information sources for Mutual Fund investment decisions
Factor analysis by principle component method predominantly identified 3 major factors with respect to choice of information sources - unbiased information sources requiring independent analysis, advertisements and recommendations. These factors are the outcomes of statements in Likerts 5 point scale. The average mean scores of these derived factors depend to a large extent on investor education.

In the present research a relationship is established through independent t -test which compares the mean values of the respondents to find out if investor education has contributed towards investors' choice of unbiased information source requiring independent analysis. Over all it can be concluded that investor education programs have a positive impact on the importance attached to unbiased information sources requiring an independent analysis.

Limitations of The Study

1. No survey research is free from personal prejudice and bias leading to sampling error. However maximum effort has been made to minimize sampling errors by properly selecting the sample method and sample unit.
2. The growth of the industry has been mapped with respect to only select variables-asset management companies, schemes, investor accounts, assets under management and resources mobilized.

Findings of the Study

- A majority of the respondents (56.6 percent) have been investing in mutual funds only during the last 2 to 5 years. Only 9.3 percent of them have been investing for more than 10 years.
- For a majority of the respondents (67.8 percent) the average holding period of their mutual fund investment is 2 to 5 years and for 27.6 percent of them it is less than 2 years.
- Analysis clearly indicates that in India Mutual fund is not bought but sold. Only 22 percent of the respondents choose the direct channel, while 88 percent of them use the distribution channel.

Suggestions of the Study

The market success of any product, particularly a financial product, depends largely on its acceptance by consumers, in this case investors. Asset management companies need to introduce a new range of offerings in the market in order to attract investments. AMCs through AMFI should conduct a nationwide survey of customer needs across various investment objectives, frequency and quantum of contribution to design product variants that have features that meet customer needs.

Product innovations by AMCs should be driven around simple products that have features of capital protection with returns that are higher than traditional products. This can attract and retain risk adverse investors as also first time investors of mutual funds. Since the focus is on retail penetration beyond the metros and other Tier I cities, products that appeal to low income groups , commodity related, crop related and agriculture oriented fund products may be conceptualized and developed keeping in mind the specific segment needs.

The identification of market segments that rely differentially on various information sources and employ various selection criteria is consistent with hub and spoke model mutual funds (master-feeder funds) which have been introduced in the US and this can be introduced in India.

AMCs should focus on giving training to distributors of mutual funds to enhance their marketing and advisory capabilities so that they can win the trust and confidence of customers. Advisory capabilities can be enhanced by having financial planning modules in their course materials.

Conclusion

Low investor awareness and response to investor education poses the biggest challenge for channelizing household savings into mutual funds. Lifting investor awareness will provide a boost to the direct distribution channels, fuelling further growth of the industry. Educating the investors will make the investor capable of making informed investment decisions, have a positive investment attitude towards mutual funds and make him a more 'responsible mutual fund investor. Investor awareness has to spread its wings across the length and breadth of the country to spearhead the growth of the mutual fund industry in the right direction.

Scope for Further Research

The investment behavior of investors can be best understood, if the scope is extended beyond the five products that were selected for this study. Specifically, products in the capital market arena viz. Bonds, Debentures, Stocks and Commercial papers can be of interest.

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