Predictors of Youth's intention towards investment in Mutual funds

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Abstract:

Mutual funds serve as a vehicle for ordinary investors to place their assets in a professional funds management system. It makes it easier for the general public to access the Indian financial market. The Indian mutual fund business is expanding quickly, as evidenced by the year-over-year increase in assets managed by different AMCs. Assets Under Management (AUM) of Indian Mutual Fund Industry as on December 31, 2022 stood at ₹ 39,88,735 crore. The AUM of the Indian MF Industry has grown from ₹ 7.60 trillion as on December 31, 2012 to ₹39.89 trillion as on December 31, 2022 more than 5-fold increase in a span of 10 years (Association of Mutual Fund in India Report 2022). When opposed to investing in the stock market, mutual fund investing is less risky. Risk-averse investors are drawn to invest their resources in the financial markets by lower risk, modest rewards, and professional management. In order to better understand the demands and preferences of a growing generation, financial institutions and mutual fund firms need to do research on the factors that influence new investors' purchases of mutual funds. New investors, sometimes known as "freshers," frequently lack financial education and experience, and several factors might have an impact on how they make decisions. For the benefit of financial institutions and mutual fund businesses, this study intends to investigate and comprehend these issues. Financial institutions and mutual fund firms can better address the demands of this market by tailoring their marketing tactics and product offerings by looking into the elements that affect new investors' decisions to buy mutual funds. The purpose of this paper is to understand the various predictors of mutual fund investment intention of youth. This study uses quantitative and cross-sectional approach wherein questionnaire-based survey was done to collect responses from prospective individual investors and SPSS have been used to establish the hypothesized relationship between the constructs.

Key Words:

Investment intention, Service quality, service charges, Mutual fund investment

Introduction:

A mutual fund is a financial entity that pools shareholder assets and invests them in securities such as stocks, bonds, money market instruments, and other assets. Mutual funds are managed by professional money managers who deploy the assets of the fund in order to generate capital gains or income for the fund's investors. The portfolio of a mutual fund is built and managed to meet the investment objectives indicated in the prospectus. Mutual funds provide access to professionally managed portfolios of stocks, bonds, and other securities to small and individual investors. As a result, each stakeholder shares in the fund's profits or losses in proportion. Mutual funds invest in a wide range of assets, and their success is typically measured as the change in the fund's total market capitalization—as calculated by the fund's total market capitalization. A mutual fund employs a fund manager, often known as an investment adviser, who is legally required to act in the best interests of mutual fund shareholders. Investing in mutual funds is becoming increasingly popular among young people who want to secure a secure financial future. Despite the ease of access provided by internet investing platforms, many young investors prefer to rely on agents to guide them through the investment process. This begs the question, "What motivates young investors to invest in mutual funds through agents?" Understanding their intents and decision-making process can provide mutual fund businesses and agents with useful information into how to better cater to the interests and preferences of this group. In recent times, there has been a growing interest among young investors to invest in mutual funds through agents. This is largely driven by the benefits that mutual funds offer, such as diversification, long-term wealth creation, and convenience. One of the main reasons why youth may prefer investing through agents is to receive professional advice. Agents or financial advisors can help the youth make informed decisions by providing expert guidance on investment options that align with their financial goals and risk appetite. This can be particularly beneficial for those who are new to investing and lack the knowledge to make informed decisions on their own. Another benefit of investing in mutual funds through agents is diversification. Mutual funds offer a diversified investment portfolio, which reduces the risk associated with investing in a single asset class. This diversification can be challenging to achieve for youth who are new to investing, and agents can help them achieve this through mutual funds. Convenience is also a significant factor driving the intention of youth to invest in mutual funds through agents. Agents take care of the paperwork, monitoring of investments, and other administrative tasks, allowing the youth to focus on other aspects of their life while still being able to invest their money. Finally, mutual funds are a long-term investment option that can help youth create wealth over time. Investing through agents can ensure that the youth remain invested for the long term, which is crucial for achieving their financial goals. With the growth of the economy and a surge in disposable income, the youth today are showing an increasing interest in investing in mutual funds through agents. Investing in mutual funds not only helps them diversify their portfolio but also provides them with the opportunity to participate in the stock market without the need for extensive knowledge or experience. As financial literacy increases among young people, they are realizing the potential of mutual funds to provide a steady source of passive income while building their wealth. This has led to an increase in the number of agents offering mutual fund investment services, with many targeting the younger demographic.

Many young investors who want to acquire money and safeguard their financial future prefer to invest in mutual funds through agents. As the mutual fund sector evolves, it is critical to understand youth investors' intentions to invest through agents, as well as the elements that

influence their decision-making process. The Indian mutual fund business is expanding quickly, as evidenced by the year-over-year increase in assets managed by different AMCs. Assets under management (AUM) of the Indian Mutual Fund Industry as of December 31, 2022, stood at ₹ 39,88,735 crore. The AUM of the Indian MF Industry has grown from ₹ 7.60 trillion on December 31, 2012 to ₹39.89 trillion on December 31, 2022, more than a 5-fold increase in a span of 10 years (Association of Mutual Funds in India Report, 2022). In India, mutual funds are regulated by the Securities and Exchange Board of India (SEBI). Mutual funds are subject to Investment risk, Credit risk, and Liquidity risk.

The purpose of this study article is to investigate the motivations and preferences of young investors who invest in mutual funds through agents. We may obtain useful insights on how mutual funds fulfil the interests of young investors and encourage their engagement in the mutual fund market by identifying these aspects.

Literature Review:

Selvaraj et al (2011) conducted primary research through a questionnaire and personal interview with 100 respondents and studied different variables like income, fund preference, and awareness. Later, it was found that respondents belonging to the "less than 40" age bracket were more aware of MF as compared to respondents in the "higher than 40" age bracket because they were more risk-averse and were generally inclined towards parking their funds in government securities, bank deposits, and LIC. Respondents with less than Rs 3,00,000 in monthly income were more aware of MF than those with more than Rs 3,00,000 in monthly income because low-income people were more cautious with their money. It had been discovered that respondents' awareness was not gender-dependent. Overall, 72% of the respondents had a good level of awareness about mutual funds. Most investors preferred growth schemes, followed by income schemes. The investors were interested in earning a higher return than a regular, safe return. **Hussain et al (2012)** did primary research through a questionnaire and studied different variables, like the experience of the fund manager, education qualification, investment style, income, and risk. It was found that older investors require regular cash inflows, so they chose income funds for their investments. Less educated investors select stock funds. Unmarried investors were more aggressive investors. All respondents preferred a fund manager with more than 7 years of experience. The results showed that widows liked to choose less risky investment options, like pension funds. **Awan & Arshad (2012)** Investing in mutual funds is a common practise among individuals seeking to grow their wealth. However, there are several factors that investors should consider before investing in mutual funds. The study aimed to examine the factors valued by investors while investing in mutual funds within a behavioural context. The study identified four main factors that investors considered before investing in mutual funds: market conditions, fund-related qualities, sponsor-related qualities, and investor behaviour. The authors used regression analysis and one-way ANOVA to examine the relationships between these factors and investors' decisions to invest in mutual funds. **Chawal (2014)** Mutual funds have become an increasingly popular investment option in India. The study aimed to analyse the factors that influence investment in mutual funds in India. The study identified three main factors that investors considered before investing in mutual funds: tax savings, risk factors, and credibility. The author used a one-way ANOVA to examine the relationship between these

factors and investors' decisions to invest in mutual funds. **Mishra (2015)** surveyed 136 respondents through a questionnaire, and he studied variables like type of investor, opinion, and income. It was observed that 96 respondents were small investors, whereas 40 were large investors. Small investors were more favourable to the perception of service quality and performance, whereas large investors preferred performance and portfolio. **Liao, et al (2015)**, in a comparative analysis of the effects of objective and self-assessed financial literacy on stock investment returns, used a primary source of data and studied different variables like returns, educational background, and category of investor. It was observed that confident investors could increase their stock holdings by taking more risks, regardless of the level of their actual financial knowledge. **Singhal and Manrai (2019)** In studying factors affecting investment in mutual funds, used primary sources of data and studied the type of investor, the category of investor, and the investor's awareness of mutual funds. It was found that mutual funds carried out confidence-building measures to convince investors to invest in them. **Guha Deb (2019)**, while writing about persistence in the performance of actively managed equity mutual funds in India, used a questionnaire (the primary data source) and studied variables such as different groups of mutual funds based on their size, style, and expense ratio to estimate persistence. It was observed that good past performance was indicative of a fund's subsequent performance, to any degree, for actively managed equity mutual funds in India. **Bajrocharya et al (2020)** A common investment option for people looking to increase their wealth is mutual funds. The purpose of the study was to investigate investor preferences for mutual funds in Nepal's Kathmandu Metropolitan City. The survey determined that tax benefits, regular income, safety, and liquidity were the four primary variables that investors took into account when choosing mutual funds. The authors used the chi-square test to analyse the relationship between these factors and investors' preferences for mutual funds. **Mathur (2021)** conducted primary (questionnaire and personal interview) and secondary (review of various research papers, articles, books, and e-journals) research on risk, knowledge, and savings. The age group of 21–30 years was observed to be a good risk taker for their young age. Many respondents said they did not invest in mutual funds because they perceived a higher risk with mutual fund investments. Investors who had invested in mutual funds had only a fuzzy understanding of their investments. SIP allowed people to invest a small portion of their savings in mutual funds. **Saleem, et al (2021)** studied the determinants of investment behaviour in mutual funds after 500 respondents completed a questionnaire and studied variables like risk and return, liquidity of assets, and convenience. It was found that if the investor had awareness about mutual funds, then there was a positive relationship between these two. If investors did not have much awareness of mutual funds, then the relationship was negative. **Dhall, et al (2021)** study on "investor's awareness and perception towards mutual fund investments" conducted an exploratory study using a questionnaire (a primary data source) to examine the variables of investor awareness and perception of mutual funds. One of the main reasons that investors cited for investing in mutual funds was the fact that these funds offered a number of tax advantages. **Kaur and Kaur (2022)** conducted primary research on 120 people using a structured questionnaire. Savings, returns, knowledge, and risk were the variables that were studied during this research. It was observed that respondents were contributing a small amount of savings towards the MF investment. Sip was preferred when investing with an expected return of 10–15 percent. Investors had partial knowledge of MF and were only aware of specific schemes in which they had invested. Few investors had a fear of the high risk of investment in MF

schemes. Females were more confident about investing in mutual funds and taking calculated risks.

Conceptual Framework:
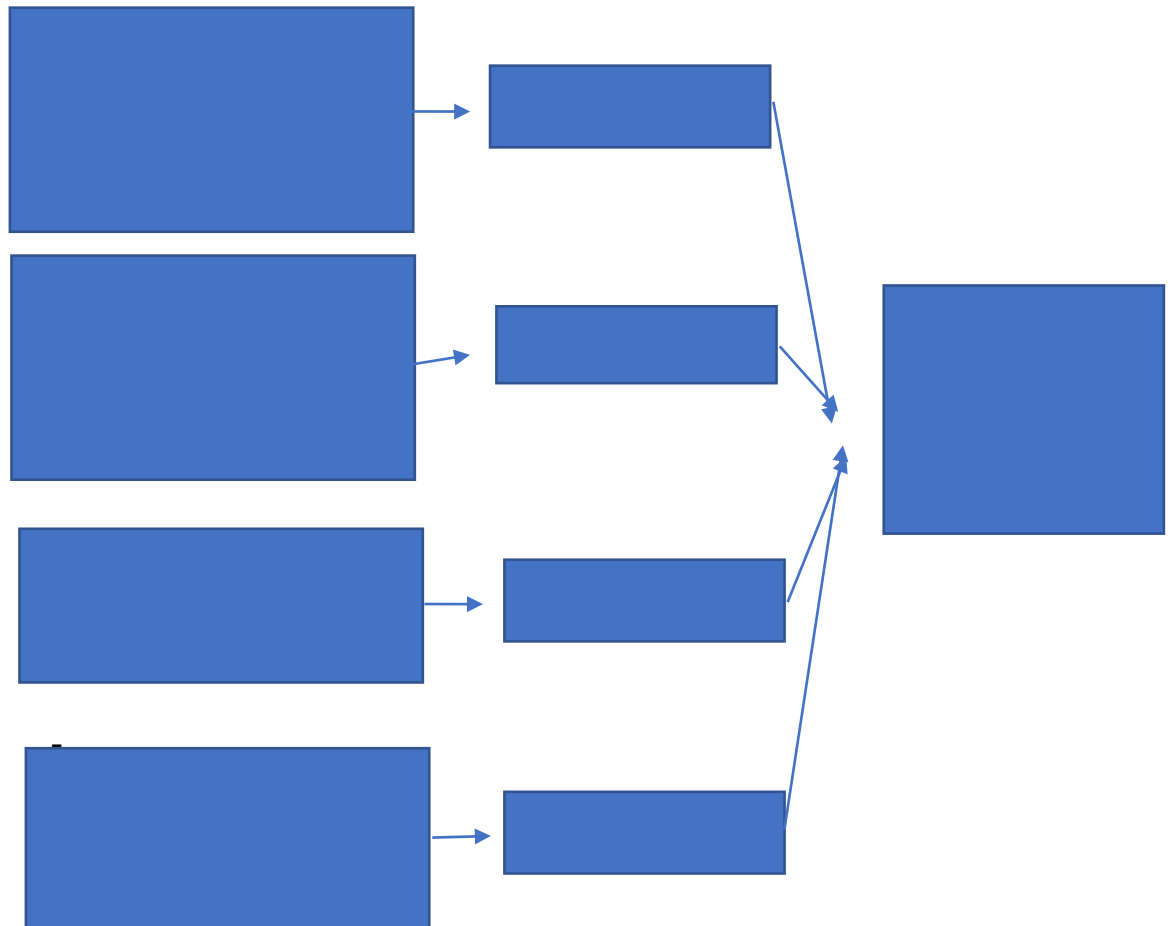
Research Hypothesis:

H1: *There is a positive relationship between service quality and the decision to invest in mutual funds through agents.*

H2: *There is a positive relationship between a portfolio and the decision to invest in mutual funds through agents.*

H3: *There is a positive relationship between performance and the decision to invest in mutual funds through agents.*

H4: *There is a positive relationship between service charges(low) and the decision to invest in mutual funds through agents.*

Research Methodology:

This study is based mainly on primary data. Secondary data is only used for the development of the research framework. A structured questionnaire was used as the main tool for data collection about the intention of youth to invest in mutual funds through an agent. A Likert scale was used to elicit responses to the questionnaire, indicating their level of agreement (1 = strongly disagree to 5 = strongly agree). The convenience sampling method was used in selecting participants. The questionnaire was circulated through online modes (WhatsApp, email, etc.). The questionnaire also included questions aimed at collecting demographic information from the respondent. SPSS (Statistical Package for Social Science) was used to compute and analyse the data. The target population was investors who were considering investing in mutual funds through agents. The sample was drawn from 170 respondents, with only 121 providing relevant responses. The sample frame consisted of investors who had expressed interest in mutual funds through agents. Convenience sampling is used as a sampling technique. The survey was administered using an online platform, and data was collected from March 10th 2023 to March 19th 2023. The survey was conducted among investors in Delhi – NCR.

Data Analysis:

Demographics
Profile of the respondents:

Table 1:

Profile	Category	Count	Percentage (%)
Male	Male	73	60.3
	Female	48	39.7
Age	Below 18	6	5
	19-24	78	64.5
	25-30	33	27.3
	Above 30	4	3.3

Figure – 1

From the above table it can be concluded that out of 121 respondents, around 60% are males and rest are females.

As far as the age wise distribution of the respondents is concerned, the majority of the sample falls within the age range of 19–24, with a frequency of 78 and a percentage of 64.5%. This is followed by the second largest number of respondents (33%) belonging to the category of 25-30 age group.

Reliability

The composite score of all the variables was found to be .816. Reliability of each variable has been shown

Table 2:

Variables	Cronbach's Alpha
SQ	.860
P	.744
PR	.754
SC	.663

The above table shows that most of the scale values are above 0.7 depicting a high level of reliability, however, one of the scales (SC)shows an acceptable level of reliability.

Correlations

Table 3

Correlations

		SQ	P	PR	SC
	Pearson Correlation	1	.560[**]	.514[**]	.524[**]
SQ	Sig. (2-tailed)		.000	.000	.000
	N	121	121	121	121
	Pearson Correlation	.560[**]	1	.593[**]	.500[**]
P	Sig. (2-tailed)	.000		.000	.000
	N	121	121	121	121
	Pearson Correlation	.514[**]	.593[**]	1	.485[**]
PR	Sig. (2-tailed)	.000	.000		.000
	N	121	121	121	121
	Pearson Correlation	.524[**]	.500[**]	.485[**]	1
SC	Sig. (2-tailed)	.000	.000	.000	
	N	121	121	121	121

[**]. Correlation is significant at the 0.01 level (2-tailed).

The correlation coefficient should lie between 0 and 1. The correlation coefficient between various independent variables was nearly 0.5 which shows an acceptable level of correlation between the them. Moreover, this correlation was found to be significant at the 0.01 level. To explore this relationship further, regression analysis is carried out.

Regression
As the model conceptualized in this study uses a number of independent variables, Multiple regression has been used.

Table 4:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.616a	0.379	0.358	0.92

a Predictors: (Constant)
SC, PR, SQ, P

From the above model summary, the adjusted R square is 0.358. Which denotes that 35.8% of the variance in the dependent variable is caused by the independent variables, which are considered in this study.

Table 5:

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	59.939	4	14.985	17.714	<.001
	Residual	98.127	116	0.846		
	Total	158.066	120			

a Dependent Variable: Intention to invest in Mutual funds
through agents
b Predictors: (Constant), SC, PR, SQ, P

Table – 14

The ANOVA table shows that the model conceptualized by this paper is found to be significant (< 0.001 is less than 0.05)

Table 6:

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.811	0.573		-1.416	0.159
	SQ	0.204	0.153	0.128	1.332	0.185
	P	0.386	0.155	0.248	2.485	0.014
	PR	-0.123	0.131	-0.091	-0.942	0.348
	SC	0.664	0.146	0.417	4.556	<.001

a Dependent Variable: Intention to invest in Mutual funds
through agents

The t-values significance levels (Sig.) indicate whether each coefficient is statistically significant. In this case, we see that P and SC are significant, which means that the two variables are less than 0.05. However, SQ and PR are not found to be statistically significant at the 0.05 level.

Conclusion:

Mutual funds are an excellent investment vehicle for young people looking to enter the stock market and start generating wealth. By pooling their money with other investors, young people can access professionally managed investment portfolios that invest in a variety of assets, including stocks, bonds, and gold. This provides them with a level of support and direction that is difficult to achieve through individual stock picking. However, many young people may be hesitant to invest in mutual funds through agents, as they may lack investing knowledge, have specific financial objectives, or have trust issues with their advisors. In this study, we have examined these variables in detail and discussed how they impact youths decisions to purchase mutual funds through agents. Investing in mutual funds through agents is a decision that young people may make based on various factors such as their level of financial literacy, investment goals, reputation, redemption facilities, service charges, and trust in the agent. In this regard, to study the investor's perception about important aspects in mutual fund, factor analysis is used. 15 variables are taken for the study, and all the 15 variables have been extracted into 4 factors. The important factors regarding the perception of investors about mutual funds are service quality, performance, portfolio, and service charge. The majority of small investors are favourable to the perception of service quality and performance, whereas for large investors, factors are portfolio and performance. The sample size is 121, with 60.3% of respondents identifying as male and 39.7% as female. The majority of respondents fall within the age range of 19–24, with 64.5% of respondents in this category. There is a moderately positive correlation between service quality and portfolio ($r = 0.560$), service quality and performance ($r = 0.514$), and service quality and service charges ($r = 0.524$). All of these correlations are significant at the 0.01 level. There is a weak positive correlation between service quality and the intention to invest through agents ($r = 0.438$), which is also significant at the 0.01 level. However, the correlation between service quality and the intention to invest through agents is weaker. Mishra (2015) analysis indicated that portfolio and performance factors were considered significant. Salam e.t.l (2012) In this regard A study of mutual fund selection behaviour considered three factors. The difference in opinion about mutual funds is again analysed with the help of 't' test and ANOVA. The factors are fund manager, investment style, and risk tolerance, but the thing is that the author does not include factors like service quality, performance, portfolio, or service charge. Shah and Bhatt (2020) talk about the investor's perception and behavioural pattern towards mutual funds with references to four major cities in Gujarat. The opinion about mutual funds are analysed with the help of the Chi square and t-test. The factors include tax benefits, safety, liquidity, and capital appreciation, but the author does not talk about factors like service quality, performance, portfolio, or service charge.

Overall, investing in mutual funds through agents can be a wise choice for youth looking to begin their financial journey and this paper has contributed to a better understanding of better perspective of intentions. With the assistance of a trustworthy and knowledgeable agent, new investors can establish and achieve their financial objectives, gain valuable investing knowledge, and navigate the complexities of the stock market with confidence. As always, it is important to conduct thorough research, evaluate personal financial objectives, and choose an agent that is right for you before making any investment decisions. Lastly, trust in the agent plays a critical role in the decision to invest in mutual funds, as young people may rely on the agent's advice and expertise. It is, therefore, essential for agents to build trust with

their clients and provide them with the necessary information to make informed investment decisions. Overall, the decision to invest in mutual funds through agents is a personal one that requires careful consideration of individual circumstances and preferences.

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