



Factors Affecting Buying Behaviour of Mutual Funds Customers

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Abstract:

Nowadays Indian stock market has undergone tremendous changes. Investment in mutual funds has become a major option among investors. The customer behaviour is very important while making buying decision of Mutual funds. The decision is depends upon so many factors. There are many key factors that are associated with share market. These factors shall also act as guidelines for buying of mutual funds by the customers according to their specific needs of investment. The hypothesis is that "Customer has criteria for buying mutual funds". This paper discussed various key factors related to mutual funds.

Keywords: *Buying behaviour; Broker; Mutual fund, Key Factors, customers.*

1.INTRODUCTION:

The customers buying behaviour is very important for making economic decision whether to or not to buy a product from market. His/her buying decision depends on a number of factors viz. social, economic, external environment and individual attitude. This list is not exhaustive but it is sufficient to have the deep understanding of the factors influencing the buying behaviour of the persons. The objective of writing this paper is to know exactly what factors have been responsible in influencing the buying behaviour of the mutual fund customers and analyze the customer response.

2.STUDY OF MUTUAL FUND:

The Mutual fund is the one kind of investment. This is structured around a fairly simple concept, the improvement of risk through the spreading of investments across multiple entities; this is achieved by the pooling of a number of small investments into a large bucket. The mutual fund market in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank. The Indian Mutual fund market has Rs.5.67 lakhs crore of assets under management. As of now, there are 33 fund houses in the country including 16 joint ventures and 3 wholly owned foreign asset managers. According to a recent McKinsey report, the total AUM of the Indian mutual fund market could grow to \$350-440 billion by 2012, expanding 33% annually. The most important trend in the mutual fund market is

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the aggressive expansion of the foreign owned mutual fund companies and the decline of the companies floated by the nationalized banks and smaller private sector players. Mutual funds are operated by the banks or any other financial organizations.

3.CHARACTERISTICS OF MUTUAL FUNDS:

- It is managed by professionals and other service providers.
- The investors share is denominated by units whose value is called as NAV (Net Asset Value) which changes every day.
- Transparency in transactions.
- All mutual fund transactions should be in units.
- The investment portfolio is created according to the acknowledged investment objectives of the fund.
- Transaction has flexibility.
- The customer has all rights for changes. He/she can sale in the market at any time, any cost. There are no any restrictions for sale.
- It may be the long term investment.

4. MATERIALS AND METHODS:

This study was conducted in the Dhule and Nandurbar districts, which is commonly known as the part of Khandesh in Maharashtra. This study covered total 70 mutual funds investors of different background. The method used to collect the information was through questionnaire issued to customers of mutual funds. The sampling method for selection of sample units was simple random method and sample size is fairly representative of the population. The data then collected and analyzed according to the need of this paper.

5. FACTORS AFFECTING CUSTOMERS BUYING BEHAVIOUR:

Many customers do not make buying decision easily. The customers buying behaviour is very important for making marketing policy decisions. His/her buying decision depends on many factors viz. social, economic, external environment and individual behaviour. The list is not exhaustive but it is sufficient to have some idea of the factors influencing buying decision of the customers of mutual funds. Following are the factors affecting on customers behaviour while buying mutual funds.

1.NAV (NET ASSET VALUE):

Market has evaluated the NAV of each fund per day. The growth of NAV depends on market position. The customers need be warned of this market risk well before they buy such mutual fund. The Role of NAV is directly affected on buying behaviour. Consumer has to check the NAV and growth of fund while buying mutual funds (MF). If customer is satisfied with NAV and growth ratio of fund then transaction will occur. Most of the customers 85.17 percent told that they have purchase mutual fund by verifying the record of NAV of fund.

2.STATUS OF COMPANY:

While buying mutual fund, the customer should consider the reputation gained over years by the Companies. How much market share a company acquires, what is good will of company in market?, are the determinants of reputation of the company. Hence the status of company is also important factor while buying the funds. Around 74.28 percent customers verify the status of company for purchasing MF.

3.FOLLOW LOCAL LANGUAGE:

Local language communication is directly affected on customers buying behaviour. Brokers must be communicating in local or regional language while selling the fund. Absolutely more impact on customers buying behaviour. Whenever broker communicates in customer's language, he/she might understand everything whatever broker suggest. Mutual fund Company must be providing information broacher in regional language and also give the information in a local/regional language. 21.42 percent customers said that they understand only local language hence they prefer broker who talk in local language.



4.RELATIONSHIP:

Relationship is one of the factors affecting on customers buying. Most of the rural customers nowadays buy mutual funds, only out of personal relationship with the brokers. Without such relationship, mere advertising or issue of information brochures can't influence customers to buy mutual funds. It is observed that 44.28 per cent persons reported that they buy mutual funds by relationship factor.

5.AGE:

Age is contributory factor of buying decision. According to the age group 23-35, customers inclined to invest for higher education, marriage and future development purpose, another age group, the range of middle period 36-45 is productive and they are self dependent and hence they are inclined towards short term period investment and while age group more than 45 is inclined towards investment for family future responsibilities. Total 22.85 percent Mutual Fund customers consider age for buying decision.

6.WIFE ROLE:

The role of wife has undergone the greatest transformation in the past few decades because of the improved socio-economic status of women in the society. Company managers have noted this social change and are advising their representatives to focus their marketing efforts on women in the families, whether working or house wives. Most of the customers don't believe on the representatives but believe on the decision of wife. Hence wife plays an imperative and remarkable role in buying behaviour. 08.57 Percent customers believed buying decision is depends on his wife.

7.INCOME TAX BENEFIT:

In order to encourage savings and discourage wasteful expenses by the individuals and companies, Government of India provides Tax benefits to mutual fund customers. Some of the peoples feel that mutual funds, though it is not a good outlet for investment, it is beneficial from the point of tax saving. Today, most of income tax payee customers find their satisfaction due to income tax saving and so it is one kind of customer buying behaviour. Other 11.42 percent customers make decision on income tax benefits.

8.RAPID REPLY:

Do to the awareness of share market, today many rural peoples interested to invest money in Mutual funds instead of bank. But every time they want help to complete the transaction and service after buying. Most of the rural customers think it the duty of broker to provide information, status of funds, status of market thru itself or by post or by telephonic. Whenever call by customer, give response instantly. Hence there is direct impact of rapid reply on new transaction. Total 18.57 percent customers want quick replay whenever calling.

TABLE 5.1: BUYING BEHAVIOUR FACTORS OF MUTUAL FUND CUSTOMERS:

Sr.No	Buying behaviour factors	Number of respondents (positive)	Percentage
1	NAV (Net Asset Value)	60	85.71
2	Status of company	52	74.28
3	Follow local language	15	21.42
4	Relationship	31	44.28
5	Age	16	22.85
6	Wife role	06	08.57
7	Income tax benefit	08	11.42
8	Rapid reply	13	18.57

Source: Compiled from survey data collected by the researcher.



Above table revealed that the most of the consumers 85.71 percent believe on the past position of NAV of particular fund while buying fund where as 8.57 percent consumers depends on wife decision.

CONCLUSION:

Now a day's Indian Stock market has very much potential. It is one of the best kinds of investment. Most of the rural customers buy mutual funds by relationship factor. The customers buying behaviour is very significant for making marketing policy decisions. The buying decision is depends on some factors these are social, economic, external environment and individual but other than that there are some factors affecting on customers behaviour while making buying decision. These factors shall also act as guidelines for buying of mutual funds by the customers according to their specific needs of investment. Hence researcher proves the hypothesis which mentioned at the beginning of the paper and covered the objectives of the paper.

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