

Role of Perceived Risk in Mutual Funds Selection Behavior: An Analysis among the Selected Mutual Fund Investors

Ch. Hymavathi, Kalpana. Koneru

Abstract— *The prime objective of this research paper is to diagnose the mutual fund selection behaviour of the customers. The researcher considered the perceived risk as the moderating variable to determine the investment decisions towards the mutual fund selections. Furthermore, the researcher identified intrinsic fund qualities, credibility of firm, competent performance and tangible benefits are considered as the independent variables of the study. The statistical analysis revealed the mediating impact of perceived risk on investment decision over the proposed independent variables.*

Key Words: *Mutual Funds, Intrinsic Fund Qualities, Credibility of Firm, competent performance, tangible benefits, Perceived Risk, Investment Decision*

I. INTRODUCTION

Mutual funds are recognized as a mechanism of amalgamating together the investment of ingenuous investors and turn in the hands of skilfully managed fund managers for reliable return along-with capital indebtedness. The funds gathered in this procedure are then invested in capital market instrument such as shares, debentures and other securities. Lastly, unit holders in proportion of units owned by them share the income earned through these investments and capital appreciation. Mutual funds put forward a way out to investors to approach most schemes and get well-diversified portfolio because investors with small savings neither have sufficient expertise nor have access to required diversification.

Mutual funds have already entered into a world of exciting innovative products. These products are now tailor made to suit specific needs of investors. Intensified competition and involvement of private players in the race of mutual funds have forced professional managers to bring innovation in mutual funds. Thus, mutual funds industry has moved from offering a handful of schemes like equity, debt or balanced funds to liquid, money market, sector specific funds, index funds and gilt edged funds. Beside this recently mutual funds have also introduced some special specific funds like children plans, education plans, insurance linked plans, and exchange traded funds. The result is that over the time Indian investors have started shifting towards mutual funds instead of traditional financial avenues.

Revised Manuscript Received on April 25, 2019.

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II. REVIEW OF LITERATURE

Investors are generally more careful while making investment decision and presence of rationality in every investor demands higher return at minimum risk but when markets are efficient it is not possible to gain abnormal returns. Risk is generally, associated with various applications differently but in common it means negative connotation such as harm or loss or some undesirable action. Risk expressed by Kaplan and Garrick (1981) demonstrates that risk involves a factor of uncertainty and potential loss that might be incurred. Elmiger and Kim (2003) elucidate risk as .the trade-off that every investor has to make between the higher rewards that potentially come with the opportunity and the higher risk that has to be borne as a consequence of the danger. Although different literature available on risk define it variedly but in common the word risk refers to situations in which a decision is made whose consequences depend on the outcomes of future events having known probabilities(Lopes,1987). Risk from a strategic management perspective has been defined as one that is often taken as manager's subjective judgment of the personal or organizational consequences and it may result from a specific decision or action. Beta has been accepted as most appropriate measure of risk that describe the slope of any regression line i.e it reveals the volatility of a stock relative to a market benchmark (Sharpe 1966).

III. RESEARCH GAP

Numerous studies are held to understand the investment decision behavior of the mutual funds in India. There are certain studies which emphasized to understand the various independent factors such as intrinsic fund qualities, credibility of firm, competent performance and tangible benefits. These specific studies explained the concerned independent variable's impact over the investment decisions of the customers. There are some other studies which attempted to understand the role of perceived risk factor to attain the investment decisions. However, there is no a study which reveals about the mediating role of perceived role to assess the investment decisions. Hence, this study is aimed to understand the mediating role of perceived risk on investment decisions over the specified independent variables.

Hypotheses Formulation:

H1₀: Perceived Risk will not have mediating effect on the influence of mutual fund selection behavior on perceived risk in relation to:

H1_{0a}: Intrinsic Fund Qualities; **H1_{0b}:** Credibility of Firm; **H1_{0c}:** Competent Performance; **H1_{0d}:** Tangible Benefits

H2₀: Perceived Risk will not have effect on investment decision.

H3₀: Mutual fund selection behaviour will not affect investment decision to:

H3_{0a}: Intrinsic Fund Qualities; **H3_{0b}:** Credibility of Firm; **H3_{0c}:** Competent Performance; **H3_{0d}:** Tangible Benefits

Research Methodology:

In order to attain the objectives of this research study, the

researcher collected 600 samples from Amaravathi Capital region in the state of Andhra Pradesh. The concerned data consists of 300 samples from public sector of SBI mutual funds and 300 samples from ICICI a leading private sector bank. Researcher applied convenience sampling technique to obtain the required data for this study. The researcher applied Hayes (2016) mediation analysis to analyses the relationship between the proposed variables. The study assumed that perceived risk is the mediating variable and the investment decision is considered to be the dependent variable. However, the researcher applied mediation analysis for the concerned four derived models of this study.

IV. DATA ANALYSIS AND RESULTS

Demographic Analysis:

Table 4.7: Cross-tabulation analysis on Perceptions towards Intrinsic Fund Qualities

Demographic Description		Total sample n=600	Extremely Dissatisfied	Dissatisfied	Neutral	Satisfied	Extremely Satisfied	Chi Sq
Gender	Male	418(69.6)	44(10.53)	39(9.33)	42(10.0)	211(50.48)	82(19.6)	1.167,df4, >0.05
	Female	182(30.3)	16(8.79)	21(11.5)	18(9.8)	89(48.9)	38(20.8)	
Age	25-35 Years	172(28.6)	17(9.88)	15(8.72)	15(8.7)	92(53.49)	33(19.1)	4.966,df1 2,>0.05
	35-45 years	257(42.8)	26(10.12)	28(10.8)	30(11.6)	121(47.08)	52(20.2)	
	45-55 years	124(20.6)	11(8.87)	12(9.68)	12(9.68)	66(53.23)	23(18.5)	
	> 55 Years	47(7.83)	6(12.77)	5(10.64)	3(6.38)	21(44.68)	12(25.5)	
Marital Status	Married	498(83)	54(10.84)	60(12.0)	54(10.8)	228(45.78)	102(20.4)	27.512,df 4,<0.05
	Unmarried	102(17)	6(5.88)	0(0)	6(5.88)	72(70.59)	18(17.6)	
Qualification	SSC/Diploma	60(10)	0(0)	0(0)	0(0)	60(100)	0(0)	290.00,df 8,<0.05
	Degree	360(60)	60(16.67)	60(16.6)	0(0)	180(50)	60(16.6)	
	Postgraduate	180(30)	0(0)	0(0)	60(33.3)	60(33.33)	60(33.33)	
Occupation	Professional	60(10)	0(0)	0(0)	0(0)	60(100)	0(0)	1251.4,df 12,<0.05
	Business	420(70)	60(14.29)	0(0)	0(0)	240(57.14)	120(28.5)	
	Salaried	60(10)	0(0)	0(0)	60(100)	0(0)	0(0)	
	Retired	60(10)	0(0)	60(100)	0(0)	0(0)	0(0)	
Organization	SBI	300(50)	30(10)	30(10)	30(10)	150(50)	60(20)	0.00, df4,>0.05
	ICICI	300(50)	30(10)	30(10)	30(10)	150(50)	60(20)	
Annual Savings	< Rs. 50,000	120(20)	0(0)	0(0)	0(0)	60(50)	60(50)	435.00,df 8,<0.05
	Rs. 50,000 - 1,00,000	240(40)	0(0)	0(0)	60(25)	180(75)	0(0)	
	> Rs. 1,00,000	240(40)	60(25)	60(25)	0(0)	60(25)	60(25)	

Source: Primary Data

Analysis on Perceptions towards Intrinsic Fund Qualities:

The cross-tabulation analysis towards the opinion ‘Perceptions towards Intrinsic Fund Qualities’, that out of 418 male respondents, 50.48 percent respondents are satisfied and out of 182 female respondents, 48.9 percent respondents are satisfied. The analysis further stated that out of 172 respondents under the age group between 25-35 years, 53.49 percent respondents are satisfied. Out of 257 respondents under the age group 35-45 years 47.08 percent respondents are satisfied. Out of 124 respondents under the age group of 45-55 years, 53.23 percent respondents are satisfied and out of 47 respondents 44.68 percent under the age group of above 55 respondents are satisfied. Out of 498 respondents who are married, 45.78 percent respondents are satisfied and out of 102 respondents, 70.59 percent who are

Unmarried respondents are satisfied. Out of 60 respondents, with SSC/diploma qualification, 100 percent respondents are satisfied and out of 360 respondents, with degree qualification, 50 percent respondents are satisfied. Out of 180 respondents, with PG qualification, 33.33 percent respondents are neutral, 33.33 percent respondents are satisfied and other 33.33 percent respondents are extremely satisfied. Out of 60 respondents who are professionals, 100 percent respondents are satisfied and out of 420 respondents 57.14 percent respondents are satisfied. Out of 60 respondents who depend on salary, 100 percent respondents are neutral and out of 60 respondents who are retired, 100 percent respondents are dissatisfied.



Out of 300 respondents who work for SBI, 50 percent respondents are satisfied. out of 300 respondents who work for ICICI, 50 percent respondents are satisfied.

Out of 120 respondents with annual savings less than Rs.50,000, 50 percent respondents are satisfied and other 50 percent are extremely satisfied. out of 240 respondents whose annual savings between Rs. 50,000 to Rs 1,00,000 75 percent respondents are satisfied and out of 240 respondents with annual savings above Rs. 1,00,000, 25 percent respondents are extremely dissatisfied, 25 percent respondents are dissatisfied, 25 percent respondents are satisfied and 25 percent respondents are extremely satisfied. The cross-tabulation results between respondents' opinion to the question posed revealed that (1.167,df4,>0.05) it has no significant association with gender of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (4.966,df12,>0.05) it has no significant association with age of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (27.512,df4,<0.05) has a significant association with marital status of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (290.00,df8,<0.05) it has a significant association with education qualification of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (1251.4,df12,<0.05) it has a significant association with occupation of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (0.00, df4,>0.05) that there is no significant association with organization of the respondents. The cross-tabulation results between respondent's opinion to the question posed revealed that (435.00,df8,<0.05) that there is a significant association with annual savings of the respondents. •The cross-tabulation analysis towards the opinion 'Perceptions towards credibility of Firm', that out of 418 male respondents, 50.24 percent respondents are extremely satisfied and out of 182 female respondents, 49.45 percent respondents are extremely satisfied. The analysis further stated that out of 172 respondents under the age group between 25-35 years, 50 percent respondents are extremely satisfied. Out of 257 respondents under the age group 35-45 years 50.19 percent respondents are extremely satisfied. Out of 124 respondents under the age group of 45-55 years, 50 percent respondents are extremely satisfied and out of 47 respondents 48.94 percent under the age group of above 55 respondents are extremely satisfied. Out of 498 respondents who are married, 49.4 percent respondents are extremely satisfied and out of 102 respondents, 52.94 percent who are unmarried respondents are extremely satisfied. Out of 60 respondents, with SSC/diploma qualification, 100 percent respondents are extremely satisfied and out of 360 respondents, with degree qualification, 66.67 percent respondents are extremely satisfied. Out of 180 respondents, with PG qualification, 66.67 percent respondents are satisfied. Out of 60 respondents who are professionals, 100 percent respondents are extremely satisfied and out of 420 respondents 42.86 percent respondents are satisfied and other 42.86 percent respondents are extremely satisfied. Out of 60 respondents who depend on salary, 100 percent respondents are dissatisfied and out of 60 respondents who are retired,

100 percent respondents are extremely satisfied. Out of 300 respondents who work for SBI, 50 percent respondents are extremely satisfied and out of 300 respondents who work for ICICI, 50 percent respondents are extremely satisfied. Out of 120 respondents with annual savings less than Rs.50,000, 50 percent respondents are satisfied and other 50 percent are extremely satisfied. out of 240 respondents whose annual savings between Rs. 50,000 to Rs 1,00,000 50 percent respondents are satisfied and other 50 respondents are extremely satisfied and out of 240 respondents with annual savings above Rs. 1,00,000, 50 percent respondents are extremely satisfied.

The cross-tabulation results between respondents' opinion to the question posed revealed that (0.074,df3,>0.05) it has no significant association with gender of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (2.259,df9,>0.05) it has no significant association with age of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (31.042,df3,<0.05) has a significant association with marital status of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (440.00,df6,<0.05) it has a significant association with education qualification of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (737.143,df9,<0.05) it has a significant association with occupation of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (0.00,df3,>0.05) that there is no significant association with organization of the respondents. The cross-tabulation results between respondent's opinion to the question posed revealed that (200.0,df6,<0.05) that there is a significant association with annual savings of the respondents.

The cross-tabulation analysis towards the opinion 'Perceptions towards Competent Performance', that out of 418 male respondents, 50.24 percent respondents are neutral and out of 182 female respondents, 49.45 percent respondents are neutral. The analysis further stated that out of 172 respondents under the age group between 25-35 years, 51.16 percent respondents are neutral. Out of 257 respondents under the age group 35-45 years 49.03 percent respondents are neutral. Out of 124 respondents under the age group of 45-55 years, 50 percent respondents are neutral and out of 47 respondents 51.06 percent under the age group of above 55 respondents are neutral. Out of 498 respondents who are married, 46.99 percent respondents are neutral and out of 102 respondents, 64.71 percent who are unmarried respondents are neutral. Out of 60 respondents, with SSC/diploma qualification, 100 percent respondents are dissatisfied and out of 360 respondents, with degree qualification, 66.67 percent respondents are neutral. Out of 180 respondents, with PG qualification, 66.67 percent respondents are satisfied. Out of 60 respondents who are professionals, 100 percent respondents are neutral and out of 420 respondents 57.14 percent respondents who own business are neutral. Out of 60 respondents who depend on

salary, 100 percent respondents are satisfied and out of 60 respondents who are retired, 100 percent respondents are satisfied. Out of 300 respondents who work for SBI, 50 percent respondents are neutral and out of 300 respondents who work for ICICI, 50 percent respondents are neutral. Out of 120 respondents with annual savings less than Rs.50,000, 100 percent respondents are neutral. Out of 240 respondents whose annual savings between Rs. 50,000 to Rs 1,00,000, 50 percent respondents are neutral. Out of 240 respondents with annual savings above Rs. 1,00,000, 50 percent respondents are neutral.

The cross-tabulation results between respondents' opinion to the question posed revealed that (0.363,df3,>0.05) it has no significant association with gender of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (1.566,df9,<0.05) it has significant association with age of the respondents . The

cross-tabulation results between respondents' opinion to the question posed revealed that (52.303,df3,<0.05) has a significant association with marital status of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (960.00,df6,<0.05) it has a significant association with education qualification of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (565.714,df9,<0.05) it has a significant association with occupation of the respondents. The cross-tabulation results between respondents' opinion to the question posed revealed that (0.00,df3,>0.05) that there is no significant association with organization of the respondents. The cross-tabulation results between respondent's opinion to the question posed revealed that (540.00,df6,<0.05) that there is a significant association with annual savings of the respondents.

Assessing the mediation analysis between Intrinsic Fund Qualities – Perceived Risk – Investment Decisions: PROCESS Output:

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Model : 4
      Y : Investment Decision
      X : Intrinsic Fund Qualities
      M : Perceive Risk
Sample Size: 600
OUTCOME VARIABLE: Perceived Risk
Model Summary
      R          R-sq      MSE          F          df1          df2          p
      .5812      .3378      .7453      305.0919      1.0000      598.0000      .0000
Model
      coeff      se          t          p          LLCI          ULCI
constant      1.9351      .2106      9.1892      .0000      1.5215      2.3486
MIFQ          .6390      .0366      17.4669      .0000      .5672      .7108
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OUTCOME VARIABLE: Investment Decision
Model Summary
      R          R-sq      MSE          F          df1          df2          p
      .7214      .5204      .6863      323.9558      2.0000      597.0000      .0000
Model
      coeff      se          t          p          LLCI          ULCI
constant      -.2097      .2159      -.9713      .3318      -.6336      .2143
MIFQ          .6954      .0431      16.1189      .0000      .6107      .7801
MPRisk        .2614      .0392      6.6618      .0000      .1844      .3385
***** TOTAL EFFECT MODEL *****
OUTCOME VARIABLE: Investment Decision
Model Summary
      R          R-sq      MSE          F          df1          df2          p
      .6963      .4848      .7361      562.7116      1.0000      598.0000      .0000
Model
      coeff      se          t          p          LLCI          ULCI
constant      .2962      .2093      1.4153      .1575      -.1148      .7072
MIFQ          .8624      .0364      23.7215      .0000      .7910      .9338
***** TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y *****
Total effect of X on Y
      Effect      se          t          p          LLCI          ULCI
      .8624      .0364      23.7215      .0000      .7910      .9338
Direct effect of X on Y
      Effect      se          t          p          LLCI          ULCI
      .6954      .0431      16.1189      .0000      .6107      .7801
Indirect effect(s) of X on Y:
      Effect      BootSE      BootLLCI      BootULCI
MPRisk        .1670      .0331      .1066      .2362
***** ANALYSIS NOTES AND ERRORS *****

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Inference:

The results of the mediation analysis disclosed that intrinsic fund quality has a prominent role in understanding the customer behavior towards the mutual funds investment. The model summary denoted that the R2 value of the model is 33.78 and the p-value is found to be 0.000 which is highly significant. The hypothetical relationship among the proposed variables in path “a” i.e the relationship in path “b” between the intrinsic fund quality and the perceive risk is proved as the beta coefficient is found to be 0.639 and the p – value is found to be 0.000. The hypothetical relationship between the perceived risk and the investment decision is also found to be significant with the beta coefficient 0.695 and the p – value is found to be 0.000. Further the direct

effect of the model is found to be significant with the beta coefficient of 0.695 and the p – value is found to be 0.000. The indirect effect of the model is found to be 0.167 and the p-value and the p – value is found to be 0.000. The total effect of the model is found to be 0.862 and the p – value is found to be 0.000. According to mediation analysis the relationship between variables of path – a should be significant, path – b should be significant; the direct effect of the model should be significant. Further the direct effect should be less than the total effect. In this model all the mentioned conditions have been proved. Hence, we conclude that there is mediation effect exist in this model. It is observed that the mediation effect of perceived risk in the model is found to be 0.306.

Assessing the mediation analysis between Credibility of Firm – Perceived Risk – Investment Decisions:

PROCESS Output:

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*****
Model: 4
  Y: Investment Decision
  X: Credibility of Firm
  M: Perceived Risk
Sample
Size: 600
*****
OUTCOME VARIABLE: Perceived Risk
Model Summary
      R      R-sq      MSE      F      df1      df2      p
      .4506    .2031    .8970   152.3717   1.0000   598.0000   .0000
Model
      coeff      se      t      p      LLCI      ULCI
constant    2.3728    .2612    9.0846   .0000    1.8598    2.8858
MCF          .5457    .0442   12.3439   .0000    .4589    .6325
*****
OUTCOME VARIABLE: Investment Decision
Model Summary
      R      R-sq      MSE      F      df1      df2      p
      .5711    .3261    .9645   144.4497   2.0000   597.0000   .0000
Model
      coeff      se      t      p      LLCI      ULCI
constant    1.0008    .2889    3.4639   .0006    .4334    1.5682
MCF          .1832    .0513    3.5675   .0004    .0823    .2840
MPRisk      .5609    .0424   13.2279   .0000    .4776    .6442
***** TOTAL EFFECT MODEL *****
OUTCOME VARIABLE: Investment Decision
Model Summary
      R      R-sq      MSE      F      df1      df2      p
      .3586    .1286    1.2451   88.2480   1.0000   598.0000   .0000
Model
      coeff      se      t      p      LLCI      ULCI
constant    2.3317    .3077    7.5773   .0000    1.7273    2.9360
MCF          .4893    .0521    9.3940   .0000    .3870    .5915
***** TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y *****
Total effect of X on Y
      Effect      se      t      p      LLCI      ULCI
      .4893    .0521    9.3940   .0000    .3870    .5915
Direct effect of X on Y
      Effect      se      t      p      LLCI      ULCI
      .1832    .0513    3.5675   .0004    .0823    .2840
Indirect effect(s) of X on Y:
      Effect      BootSE      BootLLCI      BootULCI
MPRisk      .3061      .0414      .2285      .3905
***** ANALYSIS NOTES AND ERRORS *****

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Inference:

The results of the mediation analysis disclosed that credibility of firm has a prominent role in understanding the customer behavior towards the mutual funds investment. The model summary denoted that the R2 value of the model is 20.31 and the p-value is found to be 0.000 which is highly significant. The hypothetical relationship among the proposed variables in path “a” i.e the relationship in path “b” between the intrinsic fund quality and the perceive risk is proved as the beta coefficient is found to be 0.545 and the p – value is found to be 0.000. The hypothetical relationship between the perceived risk and the investment decision is also found to be significant with the beta coefficient 0.560 and the p – value is found to be 0.000. Further the direct

effect of the model is found to be significant with the beta coefficient of 0.183 and the p – value is found to be 0.000. The indirect effect of the model is found to be 0.306 and the p-value and the p – value is found to be 0.000. The total effect of the model is found to be 0.489 and the p – value is found to be 0.000. According to mediation analysis the relationship between variables of path – a should be significant, path – b should be significant; the direct effect of the model should be significant. Further the direct effect should be less than the total effect. In this model all the mentioned conditions have been proved. Hence, we conclude that there is mediation effect exist in this model. It is observed that the mediation effect of perceived risk in the model is found to be 0.306.

Assessing the mediation analysis between **Competent Performance – Perceived Risk – Investment Decisions:**

PROCESS Output:

Model: 4

Y: Investment Decision
X: Competent Performance
M: Perceived Risk

Sample Size: 600

OUTCOME VARIABLE: Perceived Risk

Model Summary

R	R-sq	MSE	F	df1	df2	p
.4637	.2150	.8836	163.7850	1.0000	598.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
Constant	2.5772	.2363	10.9059	.0000	2.1131	3.0413
MCP	.5243	.0410	12.7979	.0000	.4439	.6048

OUTCOME VARIABLE: Investment Decision

Model Summary

R	R-sq	MSE	F	df1	df2	p
.6262	.3922	.8699	192.5946	2.0000	597.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	.3010	.2567	1.1725	.2415	-.2032	.8053
MCP	.4078	.0459	8.8882	.0000	.3177	.4979
MPRisk	.4618	.0406	11.3822	.0000	.3822	.5415

***** TOTAL EFFECT MODEL *****

OUTCOME VARIABLE: Investment Decision

Model Summary

R	R-sq	MSE	F	df1	df2	p
.5102	.2603	1.0569	210.4032	1.0000	598.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	1.4913	.2585	5.7699	.0000	.9837	1.9989
MCP	.6500	.0448	14.5053	.0000	.5620	.7380

***** TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y *****

Total effect of X on Y

Effect	se	t	p	LLCI	ULCI
.6500	.0448	14.5053	.0000	.5620	.7380

Direct effect of X on Y

Effect	se	t	p	LLCI	ULCI
.4078	.0459	8.8882	.0000	.3177	.4979

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
MPRisk	.2422	.0375	.1722	.3207

***** ANALYSIS NOTES AND ERRORS *****



Inference:

The results of the mediation analysis disclosed that competent performance has a prominent role in understanding the customer behaviour towards the mutual funds investment. The model summary denoted that the R2 value of the model is 21.50 and the p-value is found to be 0.000 which is highly significant. The hypothetical relationship among the proposed variables in path “a” i.e the relationship in path “b” between the intrinsic fund quality and the perceive risk is proved as the beta coefficient is found to be 0.461 and the p – value is found to be 0.000. The hypothetical relationship between the competent performance and the investment decision is also found to be significant with the beta coefficient 0.524 and the p – value is

found to be 0.000. Further the direct effect of the model is found to be significant with the beta coefficient of 0.407 and the p – value is found to be 0.000. The indirect effect of the model is found to be 0.242 and the p-value and the p – value is found to be 0.000. The total effect of the model is found to be 0.650 and the p – value is found to be 0.000. According to mediation analysis the relationship between variables of path – a should be significant, path – b should be significant; the direct effect of the model should be significant. Further the direct effect should be less than the total effect. In this model all the mentioned conditions have been proved. Hence, we conclude that there is mediation effect exist in this model. It is observed that the mediation effect of perceived risk in the model is found to be 0.242.

Assessing the mediation analysis between Tangible Benefits – Perceived Risk – Investment Decisions:

PROCESS Output:

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*****
Model : 4
  Y : Investment Decision
  X : Tangible Benefits
  M : Perceived Risk
Sample Size: 600
*****
OUTCOME VARIABLE: Perceived Risk
Model Summary
      R      R-sq      MSE      F      df1      df2      p
      .3015    .0909    1.0233    59.7742    1.0000    598.0000    .0000

Model
      coeff      se      t      p      LLCI      ULCI
constant    4.4026    .1555    28.3187    .0000    4.0973    4.7079
MTB          .2489    .0322    7.7314    .0000    .1857    .3121
*****
OUTCOME VARIABLE: Investment Decision
Model Summary
      R      R-sq      MSE      F      df1      df2      p
      .5886    .3465    .9354    158.2377    2.0000    597.0000    .0000

Model
      coeff      se      t      p      LLCI      ULCI
constant    1.2149    .2274    5.3420    .0000    .7682    1.6615
MTB          .1818    .0323    5.6309    .0000    .1184    .2452
MPRisk      .5627    .0391    14.3926    .0000    .4859    .6395
***** TOTAL EFFECT MODEL *****
OUTCOME VARIABLE: Investment Decision
Model Summary
      R      R-sq      MSE      F      df1      df2      p
      .3460    .1197    1.2578    81.3003    1.0000    598.0000    .0000

Model
      coeff      se      t      p      LLCI      ULCI
constant    3.6923    .1724    21.4214    .0000    3.3537    4.0308
MTB          .3218    .0357    9.0167    .0000    .2517    .3919
***** TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y *****
Total effect of X on Y
      Effect      se      t      p      LLCI      ULCI
      .3218    .0357    9.0167    .0000    .2517    .3919
Direct effect of X on Y
      Effect      se      t      p      LLCI      ULCI
      .1818    .0323    5.6309    .0000    .1184    .2452
Indirect effect(s) of X on Y:
      Effect      BootSE      BootLLCI      BootULCI
MPRisk      .1401    .0230    .0977    .1867
***** ANALYSIS NOTES AND ERRORS *****

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Inference:

The results of the mediation analysis disclosed that tangible benefits have a prominent role in understanding the customer behaviour towards the mutual funds investment. The model summary denoted that the R² value of the model is 9.09 and the p-value is found to be 0.000 which is highly significant. The hypothetical relationship among the proposed variables in path “a” i.e the relationship in path “b” between the intrinsic fund quality and the perceive risk is proved as the beta coefficient is found to be 0.248 and the p – value is found to be 0.000. The hypothetical relationship between the tangible benefits and the investment decision is also found to be significant with the beta coefficient 0.562 and the p – value is found to be 0.000. Further the direct effect of the model is found to be significant with the beta coefficient of 0.181 and the p – value is found to be 0.000. The indirect effect of the model is found to be 0.141 and the p-value and the p – value is found to be 0.000. The total effect of the model is found to be 0.321 and the p – value is found to be 0.000. According to mediation analysis the relationship between variables of path – a should be significant, path – b should be significant; the direct effect of the model should be significant. Further the direct effect should be less than the total effect. In this model all the mentioned conditions have been proved. Hence, we conclude that there is mediation effect exist in this model. It is observed that the mediation effect of perceived risk in the model is found to be 0.242.

V. CONCLUSION

The current findings of the study contribute to the understanding the effect of mutual fund selection behavior and their perception on investment decision of finance sector. The study will be considered as the value addition and the added knowledge to the very scant academic literature so far. The overall results of the study revealed that the proposed mutual fund selection behavior factors (intrinsic fund qualities, credibility of firm, flexible investment facilities, reputation, competent performance, transport disclosure and tangible benefits) had the moderate effect on investment decision through the mediating impact of perceived risk. Hence, it is clear that the mutual fund organisations have to maintain the above-mentioned attributes while they offering the schemes to their customers. It also found that customers are giving due concern to all the factors and results also emphasize the need for a customized approach for the mutual funds selection model. Findings from chi-square statistic also revealed that the mutual fund selection behavioral factors have significant relationship with demographic characteristics of the mutual fund investors.

The present study has demonstrated that intrinsic fund qualities, credibility of firm, flexible investment facilities, reputation, competent performance, transport disclosure and tangible benefits serve as underlying the determinant attributes of mutual fund selection behaviour in determining the investment decision. Perceived Risk is considered as the mediating factor over determinant attributes of mutual fund selection behaviour to investment decision. The determinant attributes of the mutual fund selection behavior factors such

as intrinsic fund qualities, credibility of firm, flexible investment facilities, reputation, competent performance, transport disclosure and tangible benefits are all considered as the significant predictors in the presence of mediating variable perceived risk for investment decision.

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