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Socio-economic factors on Individual Behaviour of Mutual fund in Chennai City, India: Evidence from Juvenile age group

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Abstract
Juvenile age group face new and daunting economic challenges that stem from a number of sources including the financial market breakdown, outburst of the housing bubble, and the rapidly changing demographics of the nation. Using survey data, this study reveals that gender, income, knowledge, and experience emerge as important personal and social influences on juvenile age group investing behaviors in mutual funds. This underscores the importance of financial socialization of juvenile age group at school and home. In an economic downturn that demands individual responsibility and self sufficiency, wealth management is an essential component of a successful adult life. Given the importance of financial well-being, understanding these influences and contributing factors in investing behaviors in mutual funds may pay off significantly for juvenile age group' financial future.
Keywords: Individual Behaviour, Socio-economic, Mutual fund and Chennai City

1. Introduction

Among various financial instruments, i.e., shares, MFs, bonds and debentures, Mutual Fund is a special type of financial instrument that pools the funds of investors who seek to maximize ROI. Stocks provide high total returns with commensurate level of risk, while bonds may provide lower risks along with regular income. MFs presently offer a variety of options to investors such as income, balanced, liquid, gilt, index, exchange traded and sectoral funds. Today, there are 36 asset management companies covering Indian public sector, private sector and joint ventures with foreign players. These 36 mutual fund houses put together mobilized about Rs 6, 70,937 Crores worth assets. The total resources mobilized by the private sector institutions is 91.04%, Public sectors institutions other than UTI is 8.49%. The variation occurred in mobilization of funds during various periods is very high with Private sector participations followed by the public sector excluding UTI, and by UTI. There is considerable competition between foreign and domestic owned bodies and within domestic owned bodies. According to the ASSOCHAM (Associated Chambers of Commerce and Industry of India) study, Asset under Management (AUM) as percentage of GDP in India is 4.12% as against those of Australia 88.22%, Germany 10.54%, Japan 7.57%, UK 18.81%, USA 61.27%, Canada 34.33%, France 59.63%, Hong Kong 101.085 and Brazil 19.95%. In turbulent market conditions, MFs are the 'most favoured instrument' as they earn higher returns than the regular safe returns offered by bonds and bank deposits. In India, majority of the schemes are open-ended as investors can buy or sell units at NAV (Net Asset Value) related prices whenever they wish. The liquidity and flexibility attached to the open ended schemes is the main USP of MFs which is drawing investors. Investors prefer MF to equity because MF provides the opportunity to participate in the market boom without proportionate amount of risk as the same gets spread among all the participants in an MF. Through MF, one takes advantage of volume buying and scientific data analysis, professional expertise and so on. Retail participation (investment in small amounts and not related to any company) in mutual funds, especially in the equity-oriented schemes is a 'push product' and not a 'pull product' which means that the MFs should advertise themselves wisely and differently for different investor profiles. For an average Indian investor, the hurdles for investing in financial markets are many lack of opportunity, lack of conceptual understanding and the influence of fixed income orientation in the Indian culture and huge popularity of ULIPs (Unit Linked Insurance Policies) which had a surge in popularity among small investors as they are seen as a proxy for MFs with insurance thrown in for good measure. Equity linked Savings Schemes (ELSS) which draws the investors can lose sheen after Direct Tax Code is implemented as they become irrelevant in terms of saving tax. A poor distribution network remains an Achilles heel for the industry even though MF investors are serviced by 60,000-odd independent financial advisers (IFA), who function as agents. There is no significant product differentiation in the MFs, for example Reliance mutual fund has almost same tax planning features as Birla sun life mutual fund. So perceiving product quality becomes more tiresome task for customer in this industry.

Individual behavioural is the integration of classical economics and social with psychology and the decision-making sciences. This study is related to the fact that how investors give different weightage to investment under similar situation. Some people systematically make errors in judgment or mental mistakes. Much of the economic theory

available today is based on the belief that individuals behave in a rational manner and that all existing information is embedded in the investment process or no attention being given to the influence of human behavior on the investment process. Research reveals that fewer people have been investing for wealth management and an increased percentage of people have virtually no investments and saving for retirement (Helman et al. [2010]; Sutton [2010]). People may attribute the decline in their wealth to job losses, housing bubble burst, and stock market meltdown, but research suggests that the economy may not be entirely to blame (Shim et al. [2009]). Good behaviors begin early, and investing for wealth management is a behavior that everyone needs. The earlier people start to invest their money, the easier it is to reach their financial goals. An individual who starts investing when young is more likely to develop investing habits and is more likely to invest consistently (Hilgert, Hogarth, and Beverly [2003]; Joo and Grable [2005]). However, many people, especially juvenile age group, may not have a good sense of making investments (Lyons et al. [2006]). The importance of investing for juvenile age group is especially timely given the current economic condition, as juvenile age group will be caught between a baby boomer rock and a fiscal hard place. With an ongoing push to partially privatize Social Security and turn over pension plans to the Federal government, juvenile age group may face a challenging and uncertain financial future. Because understanding juvenile age group' investing behaviors is an important task, the first objective of this study looks at juvenile age group' behaviors toward investing. Specifically, this study examines four aspects of juvenile age group' investing behaviors in mutual funds: frequency of information search, frequency of investing, years of investing, and performance of investments in mutual funds. Investigations of juvenile age group' investing behaviors in mutual funds also require data analyses that can account for individual differences and social context (Perry and Morris [2005]; Shim et al. [2009]; Sunden and Surette [1998]). This study suggests two main avenues, personal and social influences, through which juvenile age group acquire their familiarity with investing in mutual funds. Personal influences mostly include demographics (Norvilitis et al. [2006]; Wang [2009]; Yilmazer and Lyons [2010]). Thus, the second objective of this study is to test the effects of gender, age, and income on juvenile age group' investing behaviors in mutual funds. In contrast, social influences include factors that develop from financial socialization (Moschis [1987]; Shim et al. [2009]). Thus, the third objective of this study is to examine juvenile age group' experiences and knowledge that may explain the differences in their investing behaviors in mutual funds. Based on the results, this study hopes to help wealth advisors understand how to work better with young generations in managing their wealth.

2. Literature Review

Research examining the behavioral effects of education has supported the notion that financial education could improve financial behavior (Bernheim, Garrett, and Maki [2001]). Participation in a financial education course was found to increase contributions to retirement saving plans (Bayer, Bernheim, and Scholz [1996]; Bernheim, Skinner, and Weinberg [2001]). Research also found a positive relationship between financial education and retirement saving behavior, as the availability of financial education stimulated retirement savings among individuals in the lowest half of the savings distribution (Bernheim and Garrett [2003]). Joo and Grable [2005] found that respondents who had participated in a financial education program were most likely to have a retirement saving program in place. Shim et al. [2009] found a positive relationship between high school financial education and financial behaviors of first-year college students. Kotlikoff and Bernheim [2001] found that individuals with less education were found to have lower financial literacy scores. In the same line of reasoning, the financial literacy literature has suggested that financial knowledge could influence financial behavior (Robb and Sharpe [2009]). Perry and Morris [2005] tested the relationship between financial knowledge and responsible financial behaviors and concluded that financial knowledge had the greatest effect on eliciting responsible financial behaviors. Hilgert et al. [2003] also found that those who scored highest on questions relating to personal finances were most likely to Table good investing and saving behaviors. Conversely, Norvilitis et al. [2006] found that lack of financial knowledge was directly related to debt.

The literature on financial literacy has also suggested that financial experience could positively influence financial behavior (Lyons et al. [2006]). Chen and Volpe [1998] found that amount of financial experience was an important factor in determining financial behavior. Hilgert et al. [2003] found that personal experiences about financial matters from different sources were highly correlated with positive improvements in financial behaviors. Research has suggested a financial socialization model that links financial socialization to financial experience, which in turn predicts their financial attitudes and behaviors (Moschis [1987]). Shim et al. [2009] and Webley and Nyhus [2006] tested the financial socialization model and found that respondents' financial experiences with their parents were

predictive of various aspects of their financial behaviors. This is because parents teach their children how to manage financial resources not only by direct instructions (Moschis [1987]) but also by behavior modeling (Hayhoe et al. [2000]; Joo, Grable, and Bagwell [2003]). Studies also examined the process of financial socialization that focused on the roles of work experience in financial behaviors and found that work experience predicted financial behaviors (Shim et al. [2009]; Zimmer Gembeck and Mortimer [2006]). Research has suggested that total savings and investments should increase with higher levels of income. People who had done a retirement savings needs calculation had higher levels of savings and investments, compared with those who had not done a retirement savings needs calculation (Sutton [2010]). In addition, those who had saved for retirement were also more likely than those who had not saved to have substantial levels of savings and investments. According to Borden et al. [2008], people from higher income families had lower credit card debt. Based on these results, this study hypothesized that:

H1: Knowledge about investing in mutual funds would influence investing behaviors in mutual funds.
H2: Experience with investing in mutual funds would influence investing behaviors in mutual funds.
H3: Higher levels of income would positively influence investing behaviors in mutual funds.

3. Research Methodology

An online survey was used to collect the data. The online survey was anonymous and self-administered with respondents recording an identifier code in place of their names to ensure confidentiality and promote confidence in providing sensitive information accurately. No personal information was sufficient to identify any respondents. According to Galante [1998], investors in their late 20s to mid 40s composed the bulk of those making online trades. Moreover, a new boom in online investing took place among those 25 years old and younger. Thus, this study recruited online investors between 18–45 years of age as study's respondents. This approach focused the research on capturing representative younger investors.

Recruiting advertisements were posted on several tri state listservs, finance-related blogs, and websites that targeted online investors. Online investors interested in participating in the study clicked on the survey link that directed them to complete the survey. Even though the survey sample was not randomly selected, the advertisements used to recruit the sample covered a wide range of groups whose members specialized in finance and online investing. A total of 483 participants completed the survey, and their responses were used for data analysis. This study measured four dependent variables that reflected juvenile age group investing behaviors in mutual funds. They included frequency of information search, frequency of investing, years of investing, and performance of investments. Frequency of information search was measured by asking the respondents how often they search information about investing in mutual funds in general. Frequency of investing was measured by asking the respondents how often they invest in mutual funds in general. A seven-point scale was used for these two questions, where 1 indicated "not often at all" and 7 indicated "very often." Years of investing were measured by asking the respondents how many years they had been investing in mutual funds. Finally, performance of investments was measured by asking the respondents to evaluate the performance of the mutual funds they currently own in general. A seven-point scale was used for this question, where one indicated "perform poorly" and seven indicated "perform very well." This study asked several demographics questions including age (M = 30, SD = 6.91) and education levels. Of the respondents, 82% had at least a college degree. Respondents' income levels were also asked, and 50% of them made less than 75,000 Lakh a year and 50% made at least 75,000 lakh a year. Experience with investing in mutual funds (M = 4.45, SD = 1.89) was measured by asking the respondents how experienced they are with purchasing shares in mutual funds. This question was measured on a seven-point scale where 1 indicated "not experienced at all" and 7 indicated "very experienced." To measure respondents' knowledge regarding investing in mutual funds, 37 questions were used: 10 multiple choice questions and 27 true/false questions. Each correct answer was worthy of one point, and the mean of knowledge score was 23.63 (SD = 4.05). Finally, there were 290 male respondents (60%) and 193 female respondents (40%) in this study.

4. Results Analysis

Research on financial behavior should control the relevant factors in order to isolate the effects of any one variable of interest. Thus, this study used *MANCOVA* as the statistical procedure to analyze the data. An advantage of this procedure was that the sets of dependent variables were considered simultaneously. The bivariate correlations tests

were first conducted to test the relations among the dependent variables. The results revealed that frequency of information search (M = 4.16, SD = 2.02), frequency of investing (M = 3.14, SD = 1.97), years of investing (M = 3.08, SD = 3.66), and performance of investments were all correlated with each other ($p < 0.001$), which confirmed the need for using *MANCOVA* as the statistical procedure. *MANCOVA* was run on frequency of information search, frequency of investing, years of investing, and performance of investments as the dependent variables, whereas gender was used as the fixed factor. Age, income, education, experience, and knowledge were used as the covariates. The multivariate tests in Table 1 reveal that age, income, experience, and knowledge contributed to the model significantly. Education did not contribute to the model significantly. The tests of between-subject effects based on the individual Univariate were reported in Table 2. Respondents' higher levels of knowledge positively enhanced their frequency of information search, frequency of investing, years of investing, and performance of investments in mutual funds. Similarly, respondents' higher income levels positively enhanced their frequency of information search, frequency of investing, years of investing, and performance of investments in mutual funds. Thus, Hypotheses 1 and 3 were supported. According to the results in Table 2, the more experiences the respondents had, the more the respondents searched information about mutual funds and invested in mutual funds. With more experience, the respondents also perceived better performance from their investments in mutual funds. However, experience did not influence how long the respondents invested in mutual funds. Based on these results, Hypothesis 2 was partially supported. Based on the results in Table 2, the older the respondents were, the more and longer they invested in mutual funds. However, age did not influence how frequently the respondents searched information about mutual funds and how well their investments in mutual funds performed. Gender had a significant effect on the dependent variables based on the results in Table 1. In other words, the mean vectors were not equal and the set of means between male and female investors was different. The results in Table 2 revealed that male investors (M = 4.75, SD = 1.87) conducted information searches about mutual funds more frequently than female investors (M = 3.28, SD = 1.91). Male investors (M = 3.39, SD = 2.01) invested in mutual funds more frequently than female investors (M = 2.77, SD = 1.85). Male investors (M = 3.42, SD = 3.62) had invested in mutual funds longer than female investors (M = 2.56, SD = 3.66). Finally, male investors' investments in mutual funds (M = 4.2, SD = 1.91) were perceived to perform better than female investors' investments in mutual funds (M = 3.02, SD = 1.86).

5. Discussion

Consistent with previous research's propositions, knowledge and experience in investing in mutual funds and income levels broadly predict different aspects of juvenile age group' investing behaviors in mutual funds. The results also suggest that social and personal influences both play important roles in predicting juvenile age group investing behaviors in mutual funds. Even though the inconclusive results of age effects on financial behaviors are evident in this study, this study explicates the gender effects on juvenile age group investing behaviors in mutual funds. The findings presented here are noteworthy in light of understanding gender differences in juvenile age group' investing behaviors in mutual funds. In essence, this study points out challenges for younger women's wealth management, as they tend to Table fewer investing behaviors in mutual funds than their counterparts do. On a related note, these gender differences have significant implications for financial educators, as women tend to accumulate less wealth than men do over .In view of current economic conditions, women are facing financial challenges due to behavioral factors in wealth management. The results presented here on gender differences in juvenile age group' investing behaviors in mutual funds also provide comparisons to studies that have examined gender differences in wealth management among older generations (Barber and Odean [2001]; Rosplock [2006, 2008, 2010]). The first common thread between men and women from younger and older generations is that men tend to be more confident in their technical knowledge in managing their wealth. For older generations, men tend to have higher perceived knowledge on financial planning and investment management. The results of this study also demonstrate a similar trend in juvenile age group as male investors tend to conduct information searches about mutual funds more frequently than female investors do to obtain knowledge on investing in mutual funds. The second common thread is that men are more actively involved in managing their wealth. For older generations, men trade more than women do. Men are more involved with wealth management and perceive themselves as having more control in managing their wealth than their gender counterparts. Similar results are evident for juvenile age group as male investors invest in mutual funds more frequently and for longer than female investors do. It seems that men tend to be more involved with wealth management and demonstrate stronger control in managing their wealth. The final common thread is that men are more subject to the overconfidence bias in wealth management. For older generations, men tend to be overconfident in trading, whereas women tend to tolerate less risk. This tendency is also evident in juvenile age

group since male investors tend to perceive their investments as performing better than investments by female investors. This may explain why women are still facing a number of obstacles from less involvement to low confidence in managing their wealth. Hilgert et al. [2003] suggest that financial knowledge in a specific area is positively correlated with financial practices in that area and is greatly influenced by an individual's experience and involvement with personal financial matters such as wealth management. Knowledge and experience with investing in mutual funds can influence juvenile age group' investing behaviors in mutual funds. An important implication here is that financial knowledge and experiences in specific areas need to be improved for younger women's involvement with financial educations so that their financial practices can be enhanced to help them manage their wealth. This is to say financial knowledge and experiences about managing financial planning, investment management, succession planning, tax implications of wealth and insurance planning are important areas that can help younger women enhance their wealth management and financial future based on this study and previous research.

6. Implications for Practitioner

This study points out several important implications for wealth advisors based on the results of this study and previous research findings. First, wealth advisors are urged to consider client gender in assessing risk tolerance prior to recommending an investment strategy. In helping clients manage their wealth, wealth advisors usually administer a risk tolerance questionnaire, discuss the client's financial goals, and then help clients develop their investment strategies and make investment decisions. This process may work well for investors if wealth advisors can integrate gender differences into guiding investors to make decisions that serve their best interests. Serving the best interests of clients may be the recommendation of an investment strategy that suits the clients' natural psychological and behavioral preferences. However, a female client's investment plan may be a slightly underperforming long-term investment program to which the client can comfortably adhere since women tend to be less confident about and less involved in their investments and wealth management. Conversely, a male client's investment plan may be one that goes with his psychological and behavioral tendencies, and the client may be overconfident and accepting more risks than he should since men tend to demonstrate more knowledge and involvement in investing and managing their wealth.

7. Conclusion

Based on the results of this study, wealth advisors should consider incorporating various factors of clients' profiles into their wealth management. These factors are investors' attitudes and knowledge about investing and managing wealth and their life-cycle stage. With a cross verified assessment of these factors, wealth advisors can help investors execute an investment strategy designed to mitigate behavioral biases. Male clients would be well served by adjusting their investments and wealth management to account for being overconfident in investing. Female clients would be well served by various education programs on investing and managing wealth to account for being less knowledgeable and involved with their wealth management. Finally, wealth advisors should decide whether to attempt to change their clients' behaviors and attitudes based on gender differences in applying this research to client situations. Research has suggested that wealth advisors should adapt to gender differences at high wealth levels and attempt to modify gender differences at lower wealth levels (Pompian and Longo [2004]). Since older generations usually possess higher wealth levels than juvenile age group, wealth advisors should adapt to gender differences for older generations and attempt to modify gender differences for juvenile age group when it comes to wealth management. By doing so, both male and female investors from older and juvenile age group would stand a better chance of improving their investments and enjoying better investment results.

8. Limitations and Future Research

Although this study confirms several aspects of previous research and makes notable and new contributions to the understanding of gender differences in investing behaviors in mutual funds, several limitations should be noted. First, this study encourages caution when generalizing the study's results beyond younger investors. Albeit the focus of the study population is younger investors, the sample for this study is limited to the regional level. Thus, future studies should incorporate a larger, more diverse sample. In contrast, marital status had a negative effect on the risk

taking behavior of men. Married men were less likely to invest in high risk portfolios compared with single and cohabiting men. Future research should examine possible interaction effects between gender and marital status on different aspects of financial behaviors

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Table 1: Multivariate Test

Effect	Wilks'λ	F	df	P	η^2
Intercept	0.872	17.322	4,473	0.000	0.128
Age	0.855	20.39	4,473	0.000	0.145
Income	0.931	8.7722	4,473	0.000	0.069
Education	0.986	1.701	4,473	0.149	0.014
Experience	0.899	13.345	4,473	0.000	0.101
Knowledge	0.876	16.761	4,473	0.000	0.124
Gender	0.885	15.400	4,473	0.000	0.115

Table 2: Tests of between – Subject Effects

Source	Dependent Variable	df	F	P	η^2
Corrected Model	Frequency of information research	6	27.321	0.000	0.256
	Frequency of investing	6	23.523	0.000	0.229
	Year of investing	6	28.667	0.000	0.265
	Performance of investments	6	47.675	0.000	0.375
Intercept	Frequency of information research	1	0.010	0.919	0.000
	Frequency of investing	1	7.295	0.007	0.015
	Year of investing	1	45.864	0.000	0.088
	Performance of investments	1	31.988	0.000	0.063
Age	Frequency of information research	1	3.399	0.066	0.007
	Frequency of investing	1	8.458	0.004	0.017
	Year of investing	1	66.966	0.000	0.123
	Performance of investments	1	3.563	0.060	0.007
Income	Frequency of information research	1	7.434	0.007	0.015
	Frequency of investing	1	17.452	0.000	0.035
	Year of investing	1	14.342	0.000	0.029
	Performance of investments	1	25.663	0.000	0.051
Education	Frequency of information research	1	3.865	0.050	0.008
	Frequency of investing	1	1.242	0.266	0.003
	Year of investing	1	1.547	0.214	0.003
	Performance of investments	1	5.134	0.024	0.011
Experience	Frequency of information research	1	16.374	0.000	0.033
	Frequency of investing	1	45.602	0.000	0.087
	Year of investing	1	2.961	0.086	0.006
	Performance of investments	1	32.268	0.000	0.063
Knowledge	Frequency of information research	1	27.751	0.000	0.055
	Frequency of investing	1	4.164	0.042	0.009
	Year of investing	1	4.832	0.028	0.010
	Performance of investments	1	56.599	0.000	0.106
Gender	Frequency of information research	1	50.453	0.000	0.096
	Frequency of investing	1	7.652	0.006	0.016
	Year of investing	1	7.109	0.008	0.015
	Performance of investments	1	33.441	0.000	0.066