AWARENESS ABOUT HYBRID MUTUAL FUNDS AND FACTORS INFLUENCING INVESTMENT DECISION IN HYBRID MUTUAL FUNDS AMONG YOUTH IN INDIA

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Abstract
Investment is a carefully planned and individually optimized activity involving an individual creating a customized plan of investment to meets his needs, which is constrained by his disposable income, risk-bearing capacity and knowledge of the financial market. This paper is an attempt to study the awareness of hybrid mutual funds among youth in India and the factors which influence the decision to invest in hybrid mutual funds. It was found that the majority of respondents are not aware of hybrid funds but respondents who had invested in mutual funds were more likely to know about hybrid funds. Retail investors, in general, prefer an investment having moderate risk and moderate return in aggregate. Investors are giving the highest importance to the prospects of the company with access to cheap funds and media coverage given the least importance.

Keywords: Awareness, hybrid mutual funds, India, youth, investment decision.

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INTRODUCTION

Investment is a carefully planned and individually optimized activity involving an individual creating a customized plan of investment to meets his needs, which is constrained by his disposable income, risk-bearing capacity, duration of investment, and knowledge of the financial market. The avenue of investment available for retail investors in India includes but is not limited to shares, mutual funds, physical assets, fixed deposits, recurring deposits, and debentures. The Indian mutual fund has grown from ₹587,217 crores in March 2012 to ₹26,85,892 crore in Sep 2020(AMFI). This represents 435% growth over the period. Retail investors have invested ₹250,003.47 crores in hybrid mutual fund schemes which represent 85.17% of the total money invested in such schemes (AMFI,2020). This shows the investor's desire to earn stable returns with capital growth, and hybrid funds provide a mix of the same to its investors A hybrid fund lets its investor accrue regular returns and capital appreciation by investing the corpus raised in a mix of money market instruments and equity shares of various institutions. The money invested in the money market instruments is a source of stable and periodic returns with little to no risk, while the money invested in equity shares of various institutions is a risker source of long-term capital appreciation with portfolio diversification acting as a moderator of risk by spreading the corpus among institutions involved in a diverse set of industries. Youth with access to disposable income can invest the same in equity shares. Investing in equity shares entails the investor having a sound understanding of the company he/she desires to invest into, as an alternative to which he could invest the same in mutual funds. Mutual funds are systematically managed, thereby alleviating the need for the investor to study all the enterprises that his corpus is invested in. This study is an attempt to measure the awareness of hybrid mutual funds among youth in India, and the factors that they consider before making an investment decision in hybrid mutual funds.

LITERATURE REVIEW

The retail investors of Tamil Nadu have a high level of investor awareness and are positive about their prospects of investing in mutual fund schemes (Prathap, G., & Rajamohan, A., 2013). This study was conducted among 500 mutual fund investors from the state of Tamil Nadu, India. (Sikidar and Singh, 1996) attempted to study the objectives and behaviour of investors from the North-East region of India. It was found that the main drivers of mutual fund investment in the North-East were salaried individuals and entrepreneurs who were mainly driven by tax concession mutual fund schemes offered.

Khitoliya, P. (2014), studied the awareness and risk perception toward mutual funds among investors from Delhi. It was found that only half of the respondents were aware of mutual funds and only half of those who were aware of mutual funds invested in it. 55% of the male respondents were willing to assume the risk for better returns compared to 22% of the females. Guiso, L., & Jappelli, T. (2005), studied the lack of awareness about investment avenues in Italy. The paper attempted to find the factors that impact awareness if awareness was related to education, resources available with the household, long term relations with banks. Singh, B. K. (2011), attempted to study the investor's attitude towards mutual funds as an alternative and attractive avenue for investment. The study concluded that most of the respondents were confused or have not formed any congruent attitude towards mutual funds.

Rehan, R., et.al (2018). Concluded that demo graphic factors including but not limited to age, gender, marital status, and education significantly influence awareness about mutual funds. Risk perception among investors was shaped by the transparency of records by the Asset Management Company, the reputation of the Asset Management Company launching the mutual fund scheme, risk management by the fund manager appointed by the Asset Management Company. Agrawal, G., & Jain, M. (2013), found that 96% of the respondents were aware of mutual funds. Investors with a large amount of savings were more likely to invest in real estate.

Prabhu, G., & Vechalekar, N. M. (2014), studied the awareness of monthly income plan mutual funds among Indian investors It was found that respondents were aware of the various types of mutual funds. The main motivating factors for investing in mutual funds are diversification of the investor's portfolio and tax benefits accrued from investing in mutual funds. Chaudhary, N. (2016), the study was conducted in Tezpur, Assam. It was found that gender and education significantly impacted awareness about mutual funds.

Prabhavathi, Y., & Kishore, N. K. (2013). Found that systematic investment plans were the preferred investment avenue and the primary source of information was financial advisors and banks. Arathy, B., et.al, (2015), concluded that tax benefits on account of investing in mutual funds, ability to

earn high returns, capital appreciation, and affordability were the main factors that motivated investments in mutual funds.

Chawla, D. (2014) studied the factors that significantly influence the investment decision of investors residing in the metropolitan cities of India. The majority of the respondents had an Annual Family income in excess of ₹1,000,000. It was found that the credibility of the Asset Management Company and the miscellaneous features of the funds had significant influence. This supported earlier studies by Wilcox (2003) who found that educated investors have rudimentary knowledge about financial products.

Objectives

- To analyse the factors that significantly affect the investment decision in hybrid mutual funds.
- To evaluate the awareness about hybrid mutual fund schemes among retail investors from India.
- To examine the role of knowledge and prior investments in influencing investment deci sions.

Hypotheses

- H_{0a}: Respondents are aware of hybrid mutual funds irrespective.
- H_{0b}: Prior investment in mutual funds does influence investment decisions in hybrid mutual funds.
- H_{0c}: All factors are significantly associated with the investment decision.

Research Methodology

The area of study is the youth population of India. The sample size of 384 in accordance with Morgan's table was selected. The data was collected using a mix of digital and physical questionnaires. The respondents were encouraged to refer someone whom he/she knew to invest in financial products. The questionnaire was designed based on inputs from previous studies on investment decisions. A sample study was done to make it more suitable and appropriate for the context of this study. The margin of error for this study is 5% and the confidence interval was selected at 95%. Only 313 were considered for this study due to the rest being incomplete or multiple selections being made for questions that were asking for selecting one of the options. 81.51% of the samples are being studied. An analytical and descriptive research design was used in this study. The responses were collected using a mix of both online and offline methods. The responses were analysed in Statistical Product and Service Solutions by International Business Machine.

DATA ANALYSIS AND INTERPRETATION

Demographic Profile

		Count	Percentage
Age	19-22	40	12.8%
	23-26	224	71.6%
	27-30	7	2.2%
	Above 30	42	13.4%
	Total	313	100.0%
Gender	Male	178	56.9%
	Female	135	43.1%
	Total	313	100.0%
Marital Status	Single	225	71.9%
	Married	88	28.1%
	Total	313	100.0%
Highest Educational Qualification	Graduate	111	35.5%
	Post Graduate	173	55.3%
	Others	29	9.3%
	Total	313	100.0%
Annual Household Income	under ₹3,00,000	68	21.7%
	₹3,00,001- ₹5,00,000	137	43.8%
	₹5,00,001- ₹7,00,000	52	16.6%
	₹7,00,001- ₹9,00,000	29	9.3%
	Above ₹9,00,000	27	8.6%
	Total	313	100.0%

Table 1: *Demographic profile of respondents*

Table 1 shows the demographic profile of the respondents. The majority of the respondents were between the age of 23-26 and accounted for 71.6 % of the 313 respondents. 56.9% of respondents were male, 71.9% were unmarried, 55.3% have post-graduate degrees, 43.8% earned between ₹300,001 to ₹500,000. Respondents aged above 30 represented the second-highest number of responders, females accounted for 42.86% of respondents, married individuals accounted for

28.08% of respondents, graduates represented the second-highest number of respondents at 35.96%, and those earning less than ₹300,000 accounted for 21.7% which represent the second-highest number of respondents.

		Ideal Risk-Return Mix		
		Low risk, low return	Moderate risk, moderate return	High risk, high return
Age	19-22	12	28	0
	23-26	25	179	20
	27-30	0	0	7
	Above 30	20	22	0
Gender	Male	28	130	20
	Female	29	99	7
Marital Status	Single	37	161	27
	Married	20	68	0
Highest Educational Qualification	Graduate	26	85	0
	Post Graduate	17	135	21
	Others	14	9	6
Annual Household Income	under ₹3,00,000	11	51	6
	₹3,00,001- ₹5,00,000	14	109	14
	₹5,00,001- ₹7,00,000	0	52	0
	₹7,00,001- ₹9,00,000	20	9	0
	Above ₹9,00,000	12	8	7

Table 2: *Demographic Factors-Ideal Risk-Return Mix*

It can be concluded from Table 2 that only 27 respondents said they preferred a high-risk high-return avenue of investment this shows the inherent behaviours of humans to play it safe. Graduates are averse to high-risk high-return avenues of investment. Respondents who were married were also averse to high-risk high-return avenues of investment. Graduates and postgraduates prefer an investment avenue with moderate risk, moderate return. Most of the respondents preferred a Moderate risk, moderate return avenue of investment.

		Count	Percentage
Preferred Investment Avenue	Mutual Funds	81	25.9%
	Shares	43	13.7%
	Bank Deposit	125	39.9%
	Postal Savings	6	1.9%
	SIP	38	12.1%
	Provident Fund	0	0.0%
	Gold and Silver	20	6.4%
	Insurance	0	0.0%
	Real Estate	0	0.0%
	Total	313	100.0%
Second Preferred Investment Avenue	Mutual Funds	70	22.4%
	Shares	125	39.9%
	Bank Deposit	63	20.1%
	Postal Savings	23	7.3%
	SIP	6	1.9%
	Provident Fund	0	0.0%
	Gold and Silver	7	2.2%
	Insurance	19	6.1%
	Real Estate	0	0.0%
	Total	313	100.0%
Third Preferred Investment Avenue	Mutual Funds	63	20.1%
	Shares	16	5.1%
	Bank Deposit	17	5.4%
	Postal Savings	42	13.4%
	SIP	66	21.1%
	Provident Fund	0	0.0%
	Gold and Silver	58	18.5%
	Insurance	28	8.9%
	Real Estate	23	7.3%
	Total	313	100.0%

Table 3: *Top Three Preferred Investment Avenue*

After careful examination of table 5, it can be summarised that 39.9% of the respondents preferred keeping their savings in bank deposits due to it being relatively risk-free, ease of withdrawal, and ability to earn returns on money deposited in financial institutions followed by

mutual funds shares. The second preferred investment avenue was equity shares which could be due to the respondent's desire to earn better returns and ability to bear risk, followed by mutual funds and bank deposits. The third preferred investment avenue was through Systematic investment plans followed by mutual funds and postal savings.

Know about hybrid funds	
Yes	No
112	201

Table 4: *Awareness of Hybrid mutual funds.*

		Know about hybrid funds	
		Yes	No
Invest in Mutual Funds	Yes	90	45
	No	22	156

Table 5: *Cross-tabulation of Awareness of Hybrid mutual funds and investments in mutual funds.*

It is observed from Table 5 that the majority of the mutual fund investors that is 64.21% of the respondents are not aware of hybrid mutual fund schemes. It is further observed that respondents who have invested in mutual funds are twice as likely to have knowledge about hybrid mutual funds, which could lead one to conclude that respondents who invest in an avenue have a general idea of the various options within the financial instrument and people tend to study, understand, and keep track of news related their investments.

H_{0a} is rejected as the majority of the respondents are not aware of the hybrid mutual funds. The point to note is people who have invested in mutual funds are twice as likely to know about hybrid mutual funds.

Cronbach's Alpha	N of Items
.942	18

Table 6: *Cronbach Alpha of factors influencing investing in hybrid funds*

Cronbach alpha is a measure used to measure the reliability of the instrument used to measure, it tests the internal consistency. A value greater than 0.6 is in principle accepted. The Cronbach alpha test was performed on the instrument using "Statistical Product and Service Solutions" (SPSS) and resulted in a score of 0.942 signifying internal consistency among the items, which led to conclude that the instrument is highly reliable.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.713
Bartlett's Test of Sphericity	Approx. Chi-Square	3860.727
	df	120
	Sig.	.000

Table 7: *KMO and Bartlett's Test*

Table 9 shows the Kaiser-Meyer-Olkin measure of sampling adequacy for the instrument used in this study as 0.713 and the Bartletts test of sphericity has resulted in a p-value of 0.00. The above results show that the responses given by the respondents are adequate. A KMO measure between 0.7 and 0.8 is acceptable and factor analysis could proceed (Kaiser, 1981). The strength of the relationship between variables can also be measured by the Bartletts test of sphericity where a value(p) less than 0.05 is accepted, it is generally used for assessing the equality of variance in different samples and by virtue is an inferential statistic.

		Sum of Squares	df	Mean Square	F	Sig.
Invest in Mutual Funds	Between Groups	25.955	1	25.955	158.842	.000
	Within Groups	50.818	311	.163		
	Total	76.773	312			
Know about hybrid funds	Between Groups	34.447	1	34.447	285.866	.000
	Within Groups	37.476	311	.121		
	Total	71.923	312			

Table 8: *Significance of knowledge on hybrid funds and prior investments in mutual funds in determining investing decision of respondent*

Table 8 shows the significance of prior knowledge about hybrid funds on investment decisions in hybrid funds. The value is less than 0.05($0.00 \leq p < 0.05$) the null hypothesis is accepted and the alternate hypothesis is rejected i.e., knowledge of hybrid mutual funds has a significant influence on investment decisions in hybrid funds. We can also see the influence of prior investment in mutual funds on investment decisions in hybrid funds. The value is less than 0.05($0.00 \leq p < 0.05$) the null hypothesis is accepted and the alternate hypothesis is rejected i.e., prior investment in mutual funds has a significant influence on investment decisions in hybrid funds. H_{0b} is thus proved prior investment in mutual effects investment in hybrid mutual fund schemes.

	Initial	Extraction
Family member opinions	1.000	.678
Ease of obtaining borrowed funds	1.000	.568
Diversification Needs	1.000	.803
Coverage in press	1.000	.706
Friend or Co-worker recommendation	1.000	.596
The reputation of the firm	1.000	.846
Gut feeling about the economy	1.000	.819
Information obtained from the internet	1.000	.486
Affordability	1.000	.717
Broker Recommendation	1.000	.531
Past performance	1.000	.561
Current Economic Indicators	1.000	.680
Dividends paid in the past	1.000	.798
Marketability of the instrument	1.000	.758
Expected Corporate earnings	1.000	.698
Expected Dividends	1.000	.828
Ability to earn stable returns	1.000	.895
Long term capital appreciation	1.000	.897

Table 9: *Table of communalities of factors*
Extraction Method: Principal Component Analysis.

Table 11 shows how much variance in the variables can be accounted for by the factor that was extracted. The extracted value should me more than 0.5 for further analysis in this case we can see that long-term capital appreciation of the investment vehicle accounts to 89.7% of the variance in the investment decision in hybrid funds, ability to earn stable dividends accounts to 89.5% of the variance in the investment decision in hybrid funds, reputation of the Asset management company accounts to 84.6% of the variance in the investment decision in hybrid funds, expected dividends accounted to 82.8% of the variance in the investment decision in hybrid funds, gut feeling about the economy accounted to 81.9% of the variance in the investment decision in hybrid funds, diversification needs of the respondent accounted to 80.3% of the variance in the investment decision in hybrid funds, dividends paid in the past accounted to 79.8% of the variance in the investment decision in hybrid funds, marketability of the financial instrument accounted to 75.8% of the variance in the investment decision in hybrid funds, affordability accounted to 71.7% of the variance in the investment decision in hybrid fund, coverage in press accounted to 70.6% of the variance in the investment decision in hybrid fund. Future corporate earning expectation accounted for 69.8% of the variance in the investment decision in the hybrid fund, current economic indicators accounted for 68% of the variance in the investment decision in the hybrid fund, Friend or Co-worker recommendation accounted for 59.6% of the variance in the investment decision in a hybrid fund, broker recommendations accounted to 56.8% of the variance in the investment decision in a hybrid fund, past performance of the hybrid fund accounted to 56.1% of the variance in the investment decision in a hybrid fund, broker recommendation accounted to 53.1% of the variance in the investment decision in a hybrid fund and information obtained from the internet accounted to 48.6% of the variance in the investment decision in a hybrid fund.

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %	Total	% Of Variance	Cumulative %
1	9.513	52.850	52.850	9.513	52.850	52.850	4.479	24.881	24.881
2	2.179	12.108	64.958	2.179	12.108	64.958	4.254	23.635	48.516
3	1.173	6.519	71.477	1.173	6.519	71.477	4.133	22.961	71.477
4	.925	5.140	76.617						
5	.822	4.565	81.181						
6	.798	4.432	85.613						
7	.704	3.909	89.522						
8	.425	2.359	91.881						
9	.396	2.200	94.080						
10	.283	1.575	95.655						
11	.209	1.163	96.818						
12	.177	.984	97.803						
13	.146	.808	98.611						
14	.111	.618	99.229						
15	.065	.362	99.591						
16	.037	.207	99.798						
17	.030	.165	99.963						
18	.007	.037	100.000						

Table 10: *Total variance explained by factors*
Extraction Method: Principal Component Analysis

It can be seen that the first component accounts for 52.85% of the variability, the second component accounts for 12.11% of the variability, the third component accounted for 6.52% of the variability. The components are orthogonal in relation to each other. The cut-off for the selection of components was based on the condition that the eigenvalue of the particular was equal to or greater than 1.

Component	1	2	3
1	.606	.602	.519
2	-.486	-.235	.841
3	.629	-.763	.150

Table 11: *Component Transformation Matrix*
Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

"The original factor or component loadings are transformed to the rotated loadings by post multiplying the matrix of original loadings by the transformation matrix. The values in the transformation matrix are functions of the angle(s) of rotation of the factors or components" (Harman, H. H., 1976). It is a geometric transformational function that is generally used to get a different "view" of the data. It is an enabler for better interpretations.

	N	Mean	Std. Deviation	Rank
Ability to earn stable returns	313	4.03	1.022	1
Long term capital appreciation	313	4	0.925	2
Reputation of the firm	313	3.96	1.076	3
Affordability	313	3.96	0.938	4
Gut feeling about the economy	313	3.93	1.012	5
Expected Corporate earnings	313	3.91	1.007	6
Marketability of the instrument	313	3.88	0.943	7
Current Economic Indicators	313	3.81	0.917	8
Expected Dividends	313	3.67	0.835	9
Past performance	313	3.65	0.946	10
Dividends paid in the past	313	3.65	0.849	11
Information obtained from the internet	313	3.54	0.733	12
Broker Recommendation	313	3.48	1.038	13
Friend or Co-worker recommendation	313	3.43	1.144	14
Family member opinions	313	3.4	1.208	15
Diversification Needs	313	3.37	0.943	16
Ease of obtaining borrowed funds	313	3.28	1.218	17
Coverage in press	313	3.19	1.11	18

Table 12: *Friedman's Ranking of the variables*

Friedman rank test assigns ranks to the variables based on their degree of importance in influencing the activity. It can be summarised that all variable is significantly important and their minor difference in their degree of importance. The ability to earn stable returns and long-term appreciation and reputation of the asset management company was ranked first, second, and third respectively. Whereas Diversification needs, ease of obtaining borrowed funds, and coverage in the press were ranked third last, second last, and last respectively. Another point to note there exists a difference of only 0.84 in means between the top-ranked and last ranked variables.

CONCLUSION

It can be concluded that the majority of respondents are not aware of hybrid funds but respondents who had invested in mutual funds were more likely to know about hybrid funds. Retail investors, in general, prefer an investment having moderate risk and moderate return in aggregate. All of the factors under study influence investment decisions in hybrid funds. Respondents with prior knowledge about hybrid funds and respondents with investment in mutual funds are more likely to or have invested in mutual funds. Mutual funds are the most preferred investment avenue followed by shares.

It is concluded that H_{0a} is rejected and the alternate hypothesis is accepted i.e., the majority of the respondents are not aware of the hybrid mutual funds. The point to note is people who have invested in mutual funds are twice as likely to know about hybrid mutual funds. H_{0b}: Prior investment in mutual effects investment in hybrid mutual fund schemes. is accepted. H_{0c}: all the factors are substantially loaded and significantly influence the investment decision in hybrid mutual funds is accepted. It is also observed that respondents give higher precedence to factors that can be factually checked and less precedence to opinions.

Suggestions for future research

Further study is required to establish a relation between geographic areas and awareness levels about various kinds of mutual funds. The present study is limited to the youth in India. The impact of other avenues of investment in investment decisions on mutual funds is an interesting area for study as the influence of factors varies between regions. The impact of socioeconomic factors, taxation policy in the country, and cost of investment-on-investment decisions could also be looked into.

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Notes

1. AMFI Stands for Association of Mutual Funds in India. It is an industry standards organisation for mutual funds in India, with all the Asset management companies as its members. It aims to develop the Indian Mutual funds market.
2. SIP stands for Systematic Investment Plan. It is an investment vehicle offered to investors by Asset management companies, by allowing them to make a small number of periodic investments. Thereby eliminating the need to time the market.