

INDIVIDUAL CUSTOMER' ATTITUDES, BUYING BEHAVIOR AND SATISFACTION OF MUTUAL FUND CUSTOMERS



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ABSTRACT

The banking industry has very high impact upon the performance of the different economic sectors and the quality of people's life in general.

The banking industry has always been witnessing continuous developments and improvements. One of the industry aspects, which went, and is still going, through a number of such developments is the **"Service Mix"** in terms of types, quality and range of services to be provided. Importance of this aspect stems from its noticeable impact upon satisfying market needs and enhancing the competitive position of the bank in the market place at the same time.

INTRODUCTION

Planning the proper **"Service Mix"** is not however an easy task. For this task to be properly done, it should be based on full understanding of, and thorough analysis of, the current market conditions and customers' behavior. Therefore, decision makers in banks should be equipped with sufficient, reliable and up to date information that can help in this regard.

Equipping decision makers with such information which can help in designing and implementing effective policies and programs for successfully marketing **"Mutual Funds"** as an important investment service is the main objective of this study.

Objectives of the Study are:

1. To explore the market awareness of mutual funds as an investment service and to assess its perceived relative importance as well as the extent to which the degree of perceived importance is different according to differences in customers' demographics.
2. To evaluate customers' knowledge of the key aspects or attributes of mutual funds and the differences in this respect according to differences in customers' demographics.
3. To profile the current users of mutual funds in terms of their demographics.
4. To identify the sources of information that customers consult or rely upon in making their decision to invest in mutual funds, and the role that the financial adviser plays in this regard.
5. To evaluate Customers' Satisfaction with financial institutions in providing mutual funds investment service and differences in the degree of satisfaction according to differences in demographics.
6. To predict the future usage behavior of mutual funds and to profile potential users in terms of their demographics.
7. To determine potential users' preferences as for type of mutual funds to invest in, investment's time duration, amount of money to be invested, the preferred level of return to realize, and the risk to tolerate.

Data Collection Methods

The study relied upon both, secondary and primary sources for collecting the required information. The secondary sources included the previous studies as well as the published data regarding mutual funds investment service. These sources were used mainly for designing the field study, identifying the key factors and variables of the study, determining the population under consideration and selection of the required sample. The primary sources were the individual customers of banks who have dealings with at least two of the services they offer, and from whom data were collected.

The main primary data required for this study included customers' awareness of mutual funds as an investment service, the pattern of their present and potential use of this service, their attitudes towards the decision to invest in mutual funds, the problems they encounter in making their investment decision, and their expectations as for the role of banks to overcome these problems.

The primary data were collected via a questionnaire specially designed for this study. The questionnaire consisted of 18 types of questions in addition to the demographic data questions. The construction of the questionnaire was based upon various types of measurements including the Likert type scale and multiple choices questions. Data were collected through personal interviews by experienced interviewers at the selected sites according to the sampling plan.

Data Analysis

The data collected for this study were carefully reviewed and then coded for the purpose of analysis. The analysis was done by using SPSS Statistical Package. Simple techniques for analysis were chosen based upon the nature of the data and objectives of the study. These techniques include weighed averages, percentage analysis and cross-tabulation.

Awareness of Mutual Funds and of its importance

Awareness of mutual funds as an investment service or investment alternative proved to be very high among customers. Almost 95% of the sample indicated that they are aware of this service.

Despite this high awareness rate, mutual funds as an investment alternative, is evaluated however to be of moderate degree of importance, compared specifically with fixed deposits. Whereas 81% of customers viewed fixed deposits as an important investment alternative, only 65% of them viewed mutual funds from this perspective. The weighted average for the mutual funds' degree of importance was 3.66 out of 5.

Importance of mutual funds proved to be different among customers due to differences in their demographics of gender, nationality, age, marital status, income and education level.

Customers' Knowledge about Mutual Funds

Customers indicated low level of knowledge about the main aspects of mutual funds. The weighted average for customers' level of knowledge is 2.75 out of 5. This average reflects

obvious lack of information about mutual funds among customers.

Level of customers' knowledge about mutual funds tended to be relatively lower as for the following aspects:

The expected return from the fund and how it is calculated.

How and where the bank invests the fund's money.

Buying and selling fees of funds.

Risks associated with the investment in the fund.

Consequences of the decision to sell the fund.

Time duration or the fund's life span.

Customers are different in their level of knowledge about mutual funds according to differences in their demographics, especially these which are related to gender, age, education and income (male are more knowledgeable, and level of knowledge increases as level of age, education and income).

Current usage behavior of mutual funds

The mutual funds' current use is still very limited as only 17% of customers are investing their savings in mutual funds.

Typical users of mutual funds as their profile indicate are male (96%), (92%), aged 36 years and above (80%), monthly income higher than 1500KD (74%), education level high school and above (87%), and knowledgeable of English in addition to Arabic language (88%).

banks come at the top as a source of providing mutual funds investment service. 82% of current customers already deal with these banks as their preferred source.

Brokers and financial advisors played only a limited role in guiding mutual funds investment decisions. Only 19% of current customers asked for their advices.

Amount of money invested in mutual funds ranged between 5,000 KD to 20,000KD as for 75% of customers. The amount of money invested exceeded 50,000KD for about 5% of customers.

The return customers gained from investing in mutual funds ranged between 6% to 10% for almost 50% of the investors. Investment in mutual funds yielded 11% to 15% return for 22% of customers and more than 15% for 6% of them. On the other hand investing in mutual funds resulted in no return for 5% of customers.

Potential usage behavior of mutual funds

Customers indicated in general high willingness or inclination to invest in mutual funds in the future. This is quite illustrated as:

75% of the total customers under study are planning to buy mutual funds as an investment alternative.

91% of the current customers are considering reinvesting in one or another types of mutual funds.

Potential customers are looking for achieving “Capital Growth” from their decision to invest in mutual funds in the first place. The objectives that customers seek to realize as arranged in descending order are:

Capital Growth

Securing steady income.

Purchasing real estate

Facing retirement requirements

Educating children

Potential customers are different with regards to their preferences to the type of funds to invest in. Funds that customers favor highly are arranged in descending order as follows:

Equity funds.

Islamic investment funds.

Principal guaranteed funds

Traditional type funds.

Global funds

US funds

Local funds

Bond funds.

Potential Customers are in support of short / medium rather than long term investment. This is quite evident as 81% of them prefer funds of investment time duration from one to three years.

Investment amounts up to KD 10,000 is the most preferred option by 63% of potential customers. On the other hand, there are 27% of the customers who plan to invest from 10,000 to KD 20,000 in mutual funds. Only 10% of customers have the tendency to invest more than KD 20,000 in funds.

Funds of moderate return and moderate risk are preferred by 63% of potential customers. Funds of high return and high risk were preferred by

18% of the customers, whereas the remaining customers (almost 20%) are planning to invest in low return and low risk funds.

banks ranked first compared with other sources that potential customers are going to deal with concerning mutual funds service. Other two most preferred sources are:

Investment Companies

Islamic Financial Institutions.

Main Problems in the funds investment decision:

The main problems customers are currently facing or are expecting to face in the funds investment decision as ranked are:

Uncertainty about the expected return and risk of the fund.

Selecting the proper type of funds.

Liquidating the fund when it is needed.

Amount of commissions, fees and expenses of the fund.

Feedback about the funds performance

Period of commitment of the investment in the fund.

Trust and confidence in the bank and/or advisors.

Customers indicated differences in their level of concern about each of these problems according to differences in their demographics.

Customers' general attitude towards funds investment decision.

Customers have negative attitude towards the role that banks play in guiding funds investment decision. This is particularly true as for:

The role of banks in providing sufficient information about funds.

The role of banks in providing valuable advisory services.

Based on the previous experience, funds investment decision is considered as:

A risky adventure (53% of customers)

Of main value to the financial institutions rather than customers
(51% of customers)

Of no real differences from the return point of view if compared with the decision to invest in
fixed deposits (30% of customers).

On the other hand customers indicated positive attitude towards the role of banks in providing the
market with variety of funds sufficient to satisfy investment needs (56% of customers).

