Impact of Socio-Economic Factors of Investor Perception: A Case of Mutual Funds Association of Pakistan

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Abstract

The current study aims to investigate the impact of socio economic factors towards investor's perception regarding mutual funds. The data of the study is obtained by primary source – questionnaire. While, the judgmental and connivance sampling techniques are used. Moreover, descriptive statistics reliability analyses and frequency tests are executed to check the relationship of variables. Thus, the study found the significant results of investor's perception towards mutual funds of Pakistan.

Keywords: Investor perception, Mutual Funds, Reliability Analyses,, Descriptive Analyses, Socio-economic Factors. Judgmental Sampling, Convenience Sampling, Primary Data.

INTRODUCTION

Mutual funds development and their trades revealed important facts and development in financial markets of Pakistan. Such funds are working in Pakistan over the years. Internationally a mutual fund has obtained their vital importance and provides various financial benefits to investors.

The mutual funds are formed in a way where investor's invests who has less financial resources and lack of financial opportunity to go for macro and international investment. Thus, such funds are managed by specialized professional managers. Moreover, each investor owns specified amount of shares by his ownership of shares and attains the amount specified returns on funds. Still Pakistani mutual funds are growing and are not specialized. Therefore, less compenatcy, professionalism and assets management system is found over here.

The study is multidisciplinary theoretically framed. It deals the impact of behavioral finance domain impact on standard finance. Thus, the objective of the study is to analyze the impact of investor reaction on mutual funds of Pakistan by incorporating the socio economic factors of investor's.

The current investigation is vital and is less investigated in Pakistan. It is because Pakistan is not purely developed country in the field of research (Aycan et al., 2000). Therefore, the current study will reveal significant implications for theorists, practitioners and new scholars regarding domain of the study.

Thus, Sikidar & Singh, (1996) that investor's compensation scheme derives their reaction and perception in a way that affects directly to the performance of mutual funds. Moreover, other industrial factors, personality characteristics, investor's moods, and svolatile behavior of stock market also affects the mutual funds trends (Agnew, 2006; Warran et al, 1990; Iqbal and Qadeer, 2012). Therefore, thy hypothesis of the study is as follows,

H1: There is significant relationship of investor perception with mutual funds on the bases of socio-economic factor.

RESEARCH METHODOLOGY

The current study aims to identify the impact of investor investor's perception on the mutual funds by incorporate the socio-economic factors. The population of the study comprises of financial investors of Pakistan. Thus, the sample of the study consists of mutual funds investors at mutual funds association of Pakistan in Islamabad. The data is acquired through questionnaire and telephonic interviews. While, the sampling units of the study are individual mutual funds investors at Islamabad. While, the convenient and judgment sampling technique is used. Moreover, the sampling size consists of 194 individuals.

The sample constitutes 94% of male and 06% female's respondent investor of mutual funds. Moreover, age, gender, personal income and savings are considered as socio economic factors.

RESULTS AND ANAYLISES

Table 01
(Reliability Analyses)

Variable Name	No of Items	Cronbach's Alpha
Investor's Perception	08	0.715
Mutual Fund Performance	12	0.847
Socio Economic Factors	11	0.801

The table 01 reveals the reliability analyses of the study variables. Three variables are in the study – investor reaction, mutual funds ability of performance and socio-economic factors. Investor reaction consist of eight items of scale and its reliability is 0.715, mutual fund's performance consist of 12 items of scale and their reliability value is 0.847 and socio economic factors are uniformly combined and after taking the mean reliability analyses is executed. Thus, it consists of eleven items of scale and the reliability value of Cronbach's alpha is 0.801.

Table 02
(Age & Mutual Funds Perception)

Age	Positive	Negative	Neutral	Respondents
18-25	20	10	13	43
25-31	22	14	11	47
31-38	56	15	08	79
Greater than 38	04	01	02	07
Total	102	40	34	194

The table 02 explains the relationship and impact of age with mutual funds perception. The table reveals the 194 participants. Where, 102 respondents participated as positive, 40 neutral and 34 as negative. Thus, the table shown that gave has positive role in perception towards mutual funds that is represented by figure 102.

Table 03
(Gender & Mutual Funds Perception)

Gender	Positive	Negative	Neutral	Respondents
Male	151	25	18	183
Female	04	04	03	11
Special Gender	00	00	00	00
Total	155	29	21	194

The table 03 reveals the results and relationship of age with mutual funds' performance. The table shows that 151 male respondents positive impact on mutual funds and 04 females out of 11 as positive on mutual funds. Moreover, 155 respondents gender wise have found positive impact on mutual funds that indicated that gender has also a major impact on mutual funds perception that are greater than negative and neutral response comparatively.

Table 04
(Personal Impact & Mutual Funds Perception)

Income Level	Positive	Negative	Neutral	Respondents
Equal to 10,000 PKR	44	15	12	71
10,000 – 20,000 PKR	67	14	08	89
Greater than 20,000 PKR	22	06	04	32
Total	133	25	24	194

The table 04 reveals the relationship of personal income and perception towards mutual funds. The table shown that income level also has greater impact with mutual funds' performance because 133 respondents are found positive. Thus, there is direct relationship among personal impact and mutual fund's performance.

Table 05
(Saving & Mutual Funds Perception)

Savings	Positive	Negative	Neutral	Respondents
Up to 11,000 PKR	55	16	09	80
11,000 – 15,000 PKR	67	13	04	84
Greater than 15,000	19	09	02	30
Total	141	38	15	194

The table 05 represents the relationship of savings with mutual funds perception. The table shown that out of 194 respondents 141 respondents are found positive. Thus, the relationship of savings is found significant with mutual funds perceptions.

CONCLUSION & RECOMNEDATION

The current study aimed to investigate the impact of investor perception towards mutual funds on the bases of socio-economic factors. Thus, the study shown the significant relationship of age, gender, income level and savings direct and positive impact with mutual funds perception. Therefore, hypothesis of the study is accepted. Future research studies should be conducted by incorporating more socio-economic factors. Moreover, such theoretical frame work can be experimented by incorporating institutional or grouped mutual funds investor's.

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