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## A study of post-purchase behaviour of Indian mutual fund investors

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### Abstract

Post liberalization in 1991, Indian economy started to become a balanced economy in which there were a number innovative and specialized products and this included Mutual Funds. The popularity of Mutual Funds has led to an extensive research as to reasons for investing entailing post-purchase buying behavior of the investors. This research paper aims to study the consistency of the variables with the demographic factors as well as their preferences with the help of Chi Square and Cross Tabulations. It was found that Post- purchase services also contributed to the Fund companies' goodwill and reputation and hence, concluding that post-purchase behavior is significantly crucial.

**Keywords:** Mutual Funds, post-purchase behavior, investors, preferences, services

### 1. Introduction

There is a latest research term related to analysis of investors' perception which is known as Behavioural Finance. It assumes that information structure and the characteristics of market participants systematically affects individuals' investment decisions as well as market outcomes. Behavioural Finance was defined by Shleifer (1999) <sup>[1]</sup> as "a rapidly growing area that deals with the influence of Psychology on the behavior of financial practitioners".

The concept that has influenced behavioural finance is Efficient Market Hypothesis (EMH). There are three basic assumptions that govern the concept of EMH. The first and most important is that investors are rational. Secondly, it assumes that everyone takes into account of all available information before making investment decisions. It is related to internal consistency and making an informed decision. The third assumption is that the individual taking the decision always pursues self- interest. These assumptions are crucial when we think of post purchase behavior of the investors.

Also, the facilities given to the investors are important factors that influences their decision as to where to invest. These facilities are provided to the investors before they invest in mutual funds or while they are investing in the mutual fund schemes. Similarly, there are certain facilities or services which are provided to the investor once they have invested in that particular mutual fund scheme. These are namely, payment at convenient places, variety in modes of payment, variety in modes of receiving money in the form of dividend, bonus, etc., ease of transfer mechanism of units of schemes, timely and accurate information of new schemes as well as its performance. Therefore, the fund companies need to work on providing these after purchase services as well in order to make their schemes popular. Some researchers also highlighted the importance of investors' behavior. Singh and Vanita (2002) <sup>[15]</sup> concluded that the investors do not perceive the risk inherent in mutual fund investment and use it primarily as a tax-saving instrument. Among various financial instruments available to the investors, mutual funds are ranked below NSCs, PPF and LIC policies. However, among the various mutual funds and schemes available for investment, private mutual funds, open-ended schemes and balanced funds are most preferred by the investors. Singh and Chander (2004) <sup>[14]</sup> concluded that the investors perceive mutual funds to be better investment avenue

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<sup>1</sup>Shleifer, H. (1999) "Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing"; Harvard Business School Press, Boston.

than others because of the expectation of receiving higher return than other investment instruments. Also, from security point of view, close-ended and public sector mutual funds are presumed to be less risky Sultana (2010) [17] found that irrespective of gender, most of the investors (41%) are found have low risk tolerance level and many others (34%) have high risk tolerance level rather than moderate risk tolerance level. It is also found that there is a strong negative correlation between Age and Risk tolerance level of the investor. Reddy and Krishna (2011) [13] discovered that the respondent investors are more concerned with the pre-purchase information pertaining to risks in investing, company profile, dividend information and

services offered, so the Mutual Fund companies should have higher levels of disclosures in this regard.

The aim of the paper is to analyse the behavior of the investors after they have invested in mutual funds by examining the consistency of the variables with the demographic factors as well as their preferences with the help of Chi Square and Cross Tabulations.

For this, we will assume that there is no significant difference between the expected and observed result of various variables of post purchase services and the perception of the respondents.

**1. Payment of Subscriptions at Convenient Places**

**Table 1:** Results of Chi Square and Cross Tabulation of the selection variable with demographic factors

Demographics	Payment of subscriptions at convenient places						Percentage	Chi Square
	1	2	3	4	5	Total		
Male	19	28	89	127	35	298	69.14	Value= .855 <sup>a</sup> DF= 4 Sig= 0.931
Female	11	10	40	56	16	133	30.86	
Total	30	38	129	183	51	431		
Percentage	6.96	8.82	29.93	42.46	11.83			
Below 30	16	8	40	64	16	144	33.41	Value= 20.366 <sup>a</sup> DF= 12 Sig= 0.060
31-40	3	10	28	41	8	90	20.88	
41-50	4	10	28	19	12	73	16.94	
Above 51	7	10	33	59	15	124	28.77	
Total	30	38	129	183	51	431		
Percentage	6.96	8.82	29.93	42.46	11.83			
Graduate	3	3	7	16	3	32	7.42	Value= 14.990 <sup>a</sup> DF= 8 Sig= 0.059
Post Graduate	21	16	60	95	34	226	52.44	
Professional Degree	6	19	62	72	14	173	40.14	
Total	30	38	129	183	51	431		
Percentage	6.96	8.82	29.93	42.46	11.83			
Salaried	24	28	98	127	37	314	72.85	Value= 13.206 <sup>a</sup> DF= 12 Sig= 0.354
Self Employed	0	3	7	10	2	22	5.10	
Retired	6	7	24	46	12	95	22.42	
Total	30	38	129	183	51	431		
Percentage	6.96	8.82	29.93	42.46	11.83			
Below 5,00,000	13	16	57	77	23	186	43.16	Value= 5.387 <sup>a</sup> DF= 12 Sig= 0.944
5,00,001- 10,00,000	13	17	55	88	23	196	45.48	
10,00,001-15,00,000	1	2	3	5	3	14	3.24	
Above 15,00,001	3	3	14	13	2	35	8.12	
Total	30	38	129	183	51	431		
Percentage	6.96	8.82	29.93	42.46	11.83			

From the above table 1, it can be said that p value of all the demographic factors is not significant at 5% level of significance. That is why it can be said that as far as payment of subscriptions at convenient places is concerned the respondents belonging to different class intervals have different perception.

After observing the cross tabulations of all the demographic factors, it can be said that all the class intervals in the

demographic factors consider payment of subscriptions at convenient places as important (42.46%). Therefore, it can be inferred that the payment of subscriptions at convenient places is important to the investors while deciding on which fund or scheme they want to invest in.

**2. Mode of Payment**

**Table 2:** Results of Chi Square and Cross Tabulation of the selection variable with demographic factors

Demographics	Mode of payment						Percentage	Chi Square
	1	2	3	4	5	Total		
Male	12	18	104	138	26	298	69.14	Value= 4.337 <sup>a</sup> DF= 4 Sig= 0.362
Female	3	12	42	69	7	133	30.86	
Total	15	30	146	207	33	431		
Percentage	3.48	6.96	33.88	48.03	7.65			
Below 30	4	9	58	64	9	144	33.41	Value= 16.311 <sup>a</sup> DF= 12 Sig= 0.177
31-40	6	6	21	45	12	90	20.88	
41-50	3	7	27	32	4	73	16.94	

Above 51	2	8	40	66	8	124	28.77	Value= 3.291 <sup>a</sup> DF= 8 Sig= 0.915	
Total	15	30	146	207	33	431			
Percentage	3.48	6.96	33.88	48.03	7.65				
Graduate	2	2	8	17	3	32	7.42		
Post Graduate	7	13	80	109	17	226	52.44		
Professional Degree	6	15	58	81	13	173	40.14		
Total	15	30	146	207	33	431			
Percentage	3.48	6.96	33.88	48.03	7.65				
Salaried	13	24	108	145	24	314	72.85		Value= 10.476 <sup>a</sup> DF= 12 Sig= 0.574
Self Employed	0	1	8	10	3	22	5.10		
Retired	2	5	30	52	6	95	22.42		
Total	15	30	146	207	33	431			
Percentage	3.48	6.96	33.88	48.03	7.65				
Below 5,00,000	8	10	64	89	15	186	43.16	Value= 11.654 <sup>a</sup> DF= 12 Sig= 0.474	
5,00,001- 10,00,000	6	16	64	95	15	196	45.48		
10,00,001-15,00,000	0	2	1	9	2	14	3.24		
Above 15,00,001	1	2	17	14	1	35	8.12		
Total	15	30	146	207	33	431			
Percentage	3.48	6.96	33.88	48.03	7.65				

From the above table 2, it can be said that p value of all the demographic factors is not significant at 5% level of significance. That is why it can be said that as far as mode of payment is concerned the respondents belonging to different class intervals have different perception.

After observing the cross tabulations of all the demographic factors, it can be said that all the class intervals in the

demographic factors consider mode of payment as important (48.03%). Therefore, it can be inferred that the ease of payment modes is important to the investors while deciding on which fund or scheme they want to invest in.

**3. Mode of receiving dividend and other cheques of bonus, growth etc.**

**Table 3:** Results of Chi Square and Cross Tabulation of the selection variable with demographic factors

Demographics	Mode of receiving dividend and other cheques of bonus, growth etc.						Percentage	Chi Square
	1	2	3	4	5	Total		
Male	2	52	72	128	44	298	69.14	Value= 1.307 <sup>a</sup> DF= 4 Sig= 0.860
Female	0	22	36	55	20	133	30.86	
Total	2	74	108	183	64	431		
Percentage	0.46	17.17	25.06	42.46	14.85			
Below 30	1	24	35	65	19	144	33.41	Value= 13.155 <sup>a</sup> DF= 12 Sig= 0.358
31-40	0	19	20	36	15	90	20.88	
41-50	0	17	22	21	13	73	16.94	
Above 51	1	14	31	61	17	124	28.77	
Total	2	74	108	183	64	431		
Percentage	0.46	17.17	25.06	42.46	14.85			
Graduate	0	3	8	18	3	32	7.42	Value= 4.141 <sup>a</sup> DF= 8 Sig= 0.844
Post Graduate	1	38	57	96	34	226	52.44	
Professional Degree	1	33	43	69	27	173	40.14	
Total	2	74	108	183	64	431		
Percentage	0.46	17.17	25.06	42.46	14.85			
Salaried	0	61	80	124	49	314	72.85	Value= 49.844 <sup>a</sup> DF= 12 Sig= 0.000*
Self Employed	2	0	7	9	4	22	5.10	
Retired	0	13	21	50	11	95	22.42	
Total	2	74	108	183	64	431		
Percentage	0.46	17.17	25.06	42.46	14.85			
Below 5,00,000	1	33	44	80	28	186	43.16	Value= 6.482 <sup>a</sup> DF= 12 Sig= 0.890
5,00,001-10,00,000	1	34	49	80	32	196	45.48	
10,00,001-15,00,000	0	2	2	8	2	14	3.24	
Above 15,00,001	0	5	13	15	2	35	8.12	
Total	2	74	108	183	64	431		
Percentage	0.46	17.17	25.06	42.46	14.85			

From the above table 3, it can be said that p value of all the demographic factors is not significant at 5% level of significance except for occupation where p value is 0.000, which is significant. Thus, in case of occupation we can say that there is no variation in the perception thus accepting the null hypothesis. That is why it can be said that as far as

mode of receiving dividend and other cheques of bonus, growth etc. is concerned the respondents have different perception except for occupation where there the perception of different class intervals is same.

After observing the cross tabulations of all the demographic factors, it can be said say that all the class intervals in the

demographic factors consider mode of receiving dividend and other cheques of bonus, growth etc. as important (42.46%). Therefore, it can be inferred that variety and ease of the mode of receiving dividend and other cheques of

bonus, growth etc. is highly important to the investors while deciding on which fund or scheme they want to invest in.

**4. Transfer mechanism of units**

**Table 4:** Results of Chi Square and Cross Tabulation of the selection variable with demographic factors

Demographics	Transfer mechanism of units						Percentage	Chi Square
	1	2	3	4	5	Total		
Male	0	41	82	117	58	298	69.14	Value= 8.038 <sup>a</sup> DF= 4 Sig= 0.090
Female	2	21	41	39	30	133	30.86	
Total	2	62	123	156	88	431		
Percentage	0.46	14.39	28.54	36.2	20.42			Value= 16.233 <sup>a</sup> DF= 12 Sig= 0.181
Below 30	1	21	32	55	35	144	33.41	
31-40	1	10	32	27	20	90	20.88	
41-50	0	10	29	22	12	73	16.94	
Above 51	0	21	30	52	21	124	28.77	
Total	2	62	123	156	88	431		Value= 3.671 <sup>a</sup> DF= 8 Sig= 0.886
Percentage	0.46	14.39	28.54	36.2	20.42			
Graduate	0	5	11	10	6	32	7.42	
Post Graduate	2	33	62	79	50	226	52.44	
Professional Degree	0	24	50	67	32	173	40.14	
Total	2	62	123	156	88	431		Value=15.448 <sup>a</sup> DF= 12 Sig= 0.218
Percentage	0.46	14.39	28.54	36.2	20.42			
Salaried	2	39	97	108	68	314	72.85	
Self Employed	0	5	5	7	5	22	5.10	
Retired	0	18	21	41	15	95	22.42	
Total	2	62	123	156	88	431		Value=8.655 <sup>a</sup> DF= 12 Sig= 0.732
Percentage	0.46	14.39	28.54	36.2	20.42			
Below 5,00,000	1	33	50	63	39	186	43.16	
5,00,001- 10,00,000	1	21	59	76	39	196	45.48	
10,00,001-15,00,000	0	3	3	3	5	14	3.24	
Above 15,00,001	0	5	11	14	5	35	8.12	
Total	2	62	123	156	88	431		
Percentage	0.46	14.39	28.54	36.2	20.42			

From the above table 4, it can be said that p value of all the demographic factors is not significant at 5% level of significance. That is why it can be said that as far as the ease of transfer mechanism of units is concerned the respondents belonging to different class intervals have different perception.

After observing the cross tabulations of all the demographic factors, it can be said that all the class intervals in the

demographic factors consider transfer mechanism of units as important (36.2%). Therefore, it can be inferred that ease of transfer mechanism of units is important to the investors while deciding on which fund or scheme they want to invest in.

**5. Information about new schemes**

**Table 5:** Results of Chi Square and Cross Tabulation of the selection variable with demographic factors.

Demographics	Information about new schemes						Percentage	Chi Square
	1	2	3	4	5	Total		
Male	23	39	125	59	52	298	69.14	Value= 4.018 <sup>a</sup> DF= 4 Sig= 0.404
Female	6	19	61	19	28	133	30.86	
Total	29	58	186	78	80	431		
Percentage	6.73	13.46	43.16	18.1	18.55			Value= 16.050 <sup>a</sup> DF= 12 Sig= 0.189
Below 30	14	14	62	30	24	144	33.41	
31-40	3	18	39	13	17	90	20.88	
41-50	3	15	27	13	15	73	16.94	
Above 51	9	11	58	22	24	124	28.77	
Total	29	58	186	78	80	431		Value= 9.659 <sup>a</sup> DF= 8 Sig= 0.290
Percentage	6.73	13.46	43.16	18.1	18.55			
Graduate	3	4	18	2	5	32	7.42	
Post Graduate	18	24	97	44	43	226	52.44	
Professional Degree	8	30	71	32	32	173	40.14	
Total	29	58	186	78	80	431		Value= 17.273 <sup>a</sup> DF= 12
Percentage	6.73	13.46	43.16	18.1	18.55			
Salaried	20	48	120	59	57	314	72.85	
Self Employed	2	0	16	2	2	22	5.10	

Retired	7	10	40	17	21	95	22.42	Sig= 0.140
Total	29	58	186	78	80	431		
Percentage	6.73	13.46	43.16	18.1	18.55			Value= 6.237 <sup>a</sup> DF= 12 Sig= 0.904
Below 5,00,000	13	28	76	32	37	186	43.16	
5,00,001- 10,00,000	11	24	93	36	32	196	45.48	
10,00,001-15,00,000	1	2	5	2	4	14	3.24	
Above 15,00,001	4	4	12	8	7	35	8.12	
Total	29	58	186	78	80	431		
Percentage	6.73	13.46	43.16	18.1	18.55			

From the above table 5, it can be said that p value of all the demographic factors is not significant at 5% level of significance. That is why it can be said that as far as information about the new schemes is concerned the respondents of different class intervals have different perception.

After observing the cross tabulations of all the demographic factors, it can be said that all the class intervals in the

demographic factors consider information about new schemes as neutral (43.16%) Therefore, it can be inferred that the timely and accurate information about the new schemes is as important to the investors as other factors while deciding on which fund or scheme they want to invest in.

**6. Information about Fund Performance**

**Table 6:** Results of Chi Square and Cross Tabulation of the selection variable with demographic factors.

Demographics	Information about fund performance						Percentage	Chi Square
	1	2	3	4	5	Total		
Male	0	17	70	111	100	298	69.14	Value= 5.649 <sup>a</sup> DF= 4 Sig= 0.227
Female	2	8	26	55	42	133	30.86	
Total	2	25	96	166	142	431		
Percentage	0.46	5.8	22.27	38.52	32.95			Value= 12.439 <sup>a</sup> DF= 12 Sig= 0.411
Below 30	1	6	34	51	52	144	33.41	
31-40	1	6	18	43	22	90	20.88	
41-50	0	7	18	21	27	73	16.94	
Above 51	0	6	26	51	41	124	28.77	
Total	2	25	96	166	142	431		
Percentage	0.46	5.8	22.27	38.52	32.95			Value= 10.218 <sup>a</sup> DF= 8 Sig= 0.250
Graduate	0	3	10	15	4	32	7.42	
Post Graduate	2	12	50	80	82	226	52.44	
Professional Degree	0	10	36	71	56	173	40.14	
Total	2	25	96	166	142	431		Value= 8.635 <sup>a</sup> DF= 12 Sig= 0.734
Percentage	0.46	5.8	22.27	38.52	32.95			
Salaried	2	18	72	123	99	314	72.85	
Self Employed	0	2	6	6	8	22	5.10	
Retired	0	5	18	37	35	95	22.42	
Total	2	25	96	166	142	431		
Percentage	0.46	5.8	22.27	38.52	32.95			Value= 11.342 <sup>a</sup> DF= 12 Sig= 0.500
Below 5,00,000	1	14	37	69	65	186	43.16	
5,00,001- 10,00,000	1	9	43	78	65	196	45.48	
10,00,001-15,00,000	0	1	2	8	3	14	3.24	
Above 15,00,001	0	1	14	11	9	35	8.12	
Total	2	25	96	166	142	431		
Percentage	0.46	5.8	22.27	38.52	32.95			

From the above table 6, it can be said that p value of all the demographic factors is not significant at 5% level of significance. That is why it can be said that as far as information about fund’s performance record is concerned the respondents belonging to different classes of demographic factors have different perception.

After observing the cross tabulations of all the demographic factors, it can be said that all the class intervals in the demographic factors consider information about fund’s performance as important (38.52%) and highly important being second (32.95%). Therefore, it can be inferred that the timely and accurate information about the fund performance

is extremely important to the investors while deciding on which fund or scheme they want to invest in.

**Perception regarding post purchase services in terms of the demographic variables**

It was found using Chi-Square test that the respondents belonging to different class intervals of the five demographic variables have different perception regarding post purchase services provided to the investors by the fund sponsor company except for mode of receiving dividend where the respondents belonging to different class intervals of occupation was the same.



**Table 7:** Results of Chi Square test of the select variables with demographic factors.

S. No.	Variables	Gender	Age	Qualification	Occupation	Annual Income
1.	Payment of subscriptions at convenient places	0.931	0.060	0.059	0.354	0.944
2.	Mode of payment	0.362	0.177	0.915	0.574	0.474
3.	Mode of receiving dividend and other cheques of bonus, growth etc.	0.860	0.358	0.844	0.000*	0.890
4.	Transfer mechanism of units	0.090	0.181	0.886	0.218	0.732
5.	Information about new schemes	0.404	0.189	0.290	0.140	0.904
6.	Information about fund performance	0.227	0.411	0.250	0.734	0.500

Also, most of the post purchase services provided by the fund company were considered as important by the respondents across the class intervals of the demographic variables except information about new schemes. This was inferred by using Cross Tabulations.

To conclude we can say that the investors often complain that once they invest in any financial product they are forgotten by the companies so the fund companies are suggested to provide effective post purchase services to the investors. These may range from getting the information about the fund's performance, transfer mechanism of the units, mode of receiving the payment of settlement as well as dividend, bonus, etc. Post- purchase services also contribute to the fund companies' goodwill and reputation so it is advisable that they should take special care of this aspect.

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