A Study on Factor Influencing Satisfaction of Investors Towards Mutual Funds Industry Using Servqual Model: An Empirical Study

Manoj Sharma, Hardeep Kaur, Purva Jain

Abstract
The purpose of this paper is to study the customers’ perception and satisfaction towards the mutual funds industries. The study utilized the survey approach. The sample consisted of 100 respondents. The study tries to find out that the expectations of customers towards the mutual fund companies and also whether the companies satisfy the customers’ expectations. For this purpose we use SERVQUAL Model to identify the gaps between the expectation and satisfaction level of the customers. This paper also tries to identify the factors which influence the satisfaction level of customers with respect to mutual fund companies. This study was limited to Chhattisgarh state only. Similar studies need to be carried out across different states to find out the real impact on investors satisfaction as well as their perception.

Keywords
Customers’ Perception, Overall Satisfaction, SERVQUAL Model, Mutual Fund

I. Introduction
The Indian Mutual Fund has passed through three phases. The first phase was between 1964 and 1987 and the only player was the Unit Trust of India, which had a total asset of Rs. 6,700 crores at the end of 1988. The second phase is between 1987 and 1993 during which period 8 Funds were established (6 by banks and one each by LIC and GIC). The total assets under management had grown to 61,028 crores at the end of 1994 and the number of schemes was 167. The third phase began with the entry of private and foreign sectors in the Mutual Fund industry in 1993. Kothari Pioneer Mutual Fund was the first Fund to be established by the private sector in association with a foreign Fund. Mutual funds play an important role in mobilizing the household savings for deployment in capital markets. The gross mobilization of resources by all mutual funds during 2010-11 was at 88,59,515 crore compared to 1,00,19,022 crore during the previous year indicating a decrease of 11.6 percent over the previous year (Table 2.43). Redemption also decreased by 10.3 percent to 89,08,921 crore in 2010-11 from 99,35,942 crore in 2009-10. All mutual funds, put together, recorded a net outflow of 49,406 crore in 2010-11 as compared to an inflow of 83,080 crore in 2009-10. The assets under management by all mutual funds decreased by 6.3 percent to 59,22,550 crore at the end of March, 2011 from 63,97,985 crore at the end of March, 2010.

II. Literature Review
Mutual funds have already attracted the attention of global practitioners and academicians but most of the existing research available is on either accelerating the return on funds or comparing it with benchmark fund schemes. In marketing literature, Service Quality and Customer Satisfaction have been conceptualized as a distinct, but closely related constructs. There is a positive relationship between the two constructs (Beerli et al., 2004). The relationship between customer satisfaction and service quality is debatable. Some researchers argued that service quality is the antecedent of customer satisfaction, while others argued the opposite relationship. Parasuraman et al (1988) defined service quality and customer satisfaction as “service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction”. Jamal and Naser (2003) stated that service quality is the antecedent of customer satisfaction. However, they found that there is no important relationship between customer satisfaction and tangible aspects of service environment. This finding is contrasted with previous research by Blodgett and Wakefield (1999), but supported by Parasuraman et al (1991). Most of the researchers found that service quality is the antecedent of customer satisfaction (Bedi, 2010; Kassim and Abdullah, 2010; Kumar et al., 2010; Naeem and Saif 2009; Balaji, 2009; Lee and Hwan, 2005; Athanassopoulos and Iliakopoulos, 2003; Parasuraman et al 1988). Yee et al (2010) found that service quality has a positive influence on customer satisfaction. On the other hand, Bitner (1990) and Bolton and Drew (1991) pointed out that customer satisfaction is the antecedent of service quality. In 2004, Beerli et al supported this finding. Beerli et al mentioned a possible explanation is that the satisfaction construct supposes an evaluative judgement of the value received by the customer. This finding is contrasted with most of the researchers.

Investor’s satisfaction in case of mutual funds depends upon amount of trust and dependence that an investor places with AMC and in turn the benefits that are actually delivered to them. Although fund managers use their expertise skills and diligence while investment but still dissatisfaction prevail among the investors and their experiences show that majority of mutual funds have shown underperformance in comparison to risk free return and reported that mutual funds were not able to compensate them for additional risk they have taken by investing in mutual funds (Anand, S. And Murugaiah, V.2004). Concept of investor satisfaction is gaining importance for every MF organization because in addition to its contribution in a dominating way to the overall success of these organizations, it also shows them roadmap to retain and grow their business. SERVQUAL expectations have been variously
defined as desires, wants, what a service provider should possess, normative expectations, ideal standards, desired services and the level of service a customer hopes to receive. Zeithaml, V (1993) expressed satisfaction of individual investor comprise of a range of varied parameters and is not easy to define but in general it means positive assessment. Where the growing demand of investor’s expectation is International Journal of Business and Management May, 2009 following the way most of researcher admit the fact that working of customer’s mind is a mystery which is difficult to solve (Dash, 2006). Customer satisfaction is subjective and even difficult to measure. To draft an accurate picture of customer satisfaction organizations should diligently use information – collecting tools and market research that will finally enable an organization to identify critical elements of customer satisfaction and further fine-tune their operations to achieve incremental improvements. Significant gaps that exist between service expectations and perceptions is right from the first step where AMCs are not found capable enough to translate investor’s expectation, reason being financial intermediaries having inadequate knowledge and training are not able to communicate the message to each player effectively.

III. Research Methodology
The prime objective of this research paper is to identify the customers’ perception & satisfaction of investors towards Mutual Funds Industry Using Servqual Model. To study the above objective the following hypothesis are set:
H1: There is no significant difference in customer’s perception & satisfaction of mutual fund companies with respect to quality of service provided as measured by the SERVQUAL Model.

Table 1: Research Plan

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<th>RESEARCH PLAN</th>
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IV. Data Analysis, Finding & Recommendation
In order to test the reliability of the SERVQUAL scale and the internal consistency of the five dimensions as suggested by Parasuraman et al. (1988), Cronbach’s coefficient alpha was computed for the data received from the survey. Overall reliability of the research is .865 which is quite high and hence deemed acceptable (Nunnally and Bernstein, 1994; Hair et al., 2010). From this we can conclude that the variables have very high internal validity. The data was subjected to factor analysis because of high correlation between the variables of the SERVQUAL model. Factor analysis attempts to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. Factor analysis can also be used to generate hypotheses regarding causal mechanisms or to screen variables for subsequent analysis (for example, to identify co-linearity prior to performing a linear regression analysis). The raw data was analyzed using SPSS 19.0 (Green et al., 2000) and exploratory factor analysis in order to summarize the 17 variables into smaller sets of linear composites that preserved most of the information in the original dataset. The data was subjected to principal component analysis, a method categorized under the broad area of factor analysis. Seventeen variables were reduced to five principal components through varimax rotation. Items with factor loadings of 0.5 or higher were clustered together to form separate constructs, as recommended by Hair et al. (2006). The factors with eigen values greater than one were considered to be significant. With regard to the pre-analysis testing for the suitability of the entire sample for factor analysis, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was found to be .810 and the Bartlett's test of sphericity 537.009, significant at p < 0.000. Thus, it indicated that the sample was suitable for factor analytic procedures (Hair et al., 2006). The null hypothesis H0 assumes that the population correlation matrix of the measures is an identity matrix. The chi-square (f test) statistic of 537.009 and the R-value of 0.000 implied that there was a very low probability of obtaining this result (a value greater than or equal to the obtained value) if the null hypothesis (HB) was true. Therefore, the null hypothesis was rejected and it was concluded that the variables were correlated with each other. The degree of freedom was found to be 136.

Table 2:

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<th>KMO and Bartlett’s Test</th>
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<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
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<td>Bartlett’s Test of Sphericity</td>
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<td>Degree of Freedom</td>
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<td>Significant</td>
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Further, for defining the factors clearly, two criteria have been employed. First, it was decided to delete any variable which did not load at least (+) .50. Second, it was decided that a factor must be defined by at least two variables. This criterion is consonant with the observations made by Rahtz et al. (1988). With this criterion in mind, a series of factor analysis was performed on the data. Following each analysis, items which did not meet the criteria, were deleted from the analysis and extracted factors along with the loadings for all items, eigen values, Cronbach alpha, and the percentage of variance explained by each factor. The exploratory factor analysis of perception scores results indicate that the 17 items do not support the five-factor structure as proposed by Parasuraman et al. (1988) and yield another five-factor solution. Furthermore, the factors do not load according to the factor structure given by Parasuraman et al. (1988).

The factors with highest loading in the each column as identified from the above table having the values greatest value and also should be greater than 0.60 is selected hence we find only 5 factors that have an impact on the customer satisfaction in the mutual fund industry. It can be seen .764 in column 1 that relates to redemption request, .755 in column 2 that relates to exact service, .715 in column 3 that relates to promised service, .819 in column 4 that relates to willingness to help and .857 in column 5 that relates to specific needs of the customers. These are the factors with highest loading and hence can be treated as the factors of the overall research topic and the factors that impact the overall satisfaction of the customer.
A. Specific Needs of the Customers
The fund manager must specifically invest the customer’s money according to the needs as mentioned by the customer and should follow a trend and pattern of investing with the help of scientifically acceptable calculations. The choice of the Fund depends on the following factors –

1. **Age**
There is a general saying that equity investments as a proportion of customer’s total investible surplus should be 100 - customer’s age. So, if customers are in the younger age group, customer can invest high percentage of customer’s assets in equity. If customers are in the older age group, then high risks assets should be minimized.

2. **Appetite for Risks**
If customer are willing to take risks, then going for Equities may be the best option and they may give excellent returns for customer’s money.

3. **The People Dependent on Customer**
If customers have more number of people dependent on customer avoid Funds involving very high-risks. Customer may opt for the lower-risk Equity funds, Hybrid and Debt Funds.

4. **Salary**
It is not advisable to invest all customers’ money in one single fund. A diversified portfolio would help customer in the long run. If the salary is low, it is better to avoid funds that have considerable risk.

B. **Willingness to Help**
The willingness of the fund managers in the mutual fund industry including expertise, skills, and knowledge of the managers to be empathetic to the customer’s needs and to deliver according to the wants of the customers so that the service experience of the customers is improved and the quality of the service can be maintained at every step starting from the entry to exit of the customers, this can also lead to differentiated service provided by the mutual fund company. The fund managers should seek opportunity by helping the customers whenever they can find one. The biggest advantages of mutual funds (MFs) are their simplicity. Also, being transparent, well-regulated, tax-efficient and varied makes them an ideal investment option for investors. However,
considering there are hundreds of schemes one can invest in; making the right investment decision is anything but easy.

C. Redemption Request

The return of an investor’s principal in a fixed income security, such as a preferred stock or bond; or the sale of units in a mutual fund. A redemption occurs, in a fixed income security at par or at a premium price, upon maturity or cancellation by the issuer. Redemptions occur with mutual funds, at the choice of the investor, however limitations by the issuer may exist, such as minimum holding periods. Redemption of mutual fund shares from a mutual fund company must occur within seven days of receiving a request for redemption from the investor. Some mutual funds may have redemption fees attached, in the place of a back-end load. It is important to note which units should be redeemed when choosing to sell mutual funds within a portfolio. Whenever the customer asks for redemption the company must consider the request diligently and respond to it as quickly as possible and communicate the proceedings to the customer.

D. Precise Deal

The deal should be clear concise and precise, there should be no hidden information, and everything should be transparent in the deal Business is measured through transactions. IT is measured through transaction performance. Precision brings a new approach to help companies guarantee business transaction performance. The objective is of the mutual fund company should be to provide unbiased financial security information along with the best financial strategies and products available to the consumer. In addition to offering such products & services to both, the personal and corporate clientele, they also offer an array of specialized planned giving strategies. The emphasis is on providing clients with a selection of strategies along with the pros & cons of each strategy explained in simple language. By allowing clients to participate and understand the financial process client satisfaction has been kept at a very high level.

E. Fulfilling Commitment

One of the factors that have a huge impact on the customer satisfaction in the mutual funds industry is to fulfill the promises made to the customer, i.e. To provide them with accurate information about the services and not making any false promises to them about the services which can’t be delivered by them any time during the contact of the customer with the mutual funds company. Satisfaction of the customer is dependent on how the promises are fulfilled by the service provider.

V. Conclusion

Through this research it is clearly concluded that the factors of the SERVQUAL model and the employment status of the customer are the factors that have a bearing over the customer satisfaction in the mutual fund industry. Service Quality and Customer Satisfaction have been conceptualized as a distinct, but closely related constructs. There is a positive relationship between the two constructs. The relationship between customer satisfaction and service quality is debatable. Some researchers argued that service quality is the antecedent of customer satisfaction, while others argued the opposite relationship. Parasuraman at al (1988) defined service quality and customer satisfaction as “service quality is a global judgments, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction”. The service quality is the antecedent of customer satisfaction. However, they found that there is no important relationship between customer satisfaction and tangible aspects of service environment. Furthermore, SERVQUAL metric requires substantial modification (customization) prior to its application. Researchers ought to be cautious when applying the diagnostic; SERVQUAL is not a ready-to-use tool-kit; although robust, the metric calls for customization. Consequently, the findings of the present study indicate that SERVQUAL instrument is applicable to the services provided by the Indian Mutual fund companies; therefore, further research is imperative to understand and improve Mutual Fund service quality in India. Few statements which showed reliability problems should be restated or substituted by more relevant statements and a separate instrument may also be developed to measure service quality for the Mutual Fund industry. Although, SERVQUAL dimensions cover only human element of service delivery and tangibles facet of the service, the concept of service quality does not confine to the realms of these factors, but also encompasses other critical factors namely, service product or the core service, systematization of the service delivery, and social responsibility. Therefore, in future these critical factors might also be considered to measure service quality in the mutual funds industry.

Reference


