

Investors Preference for Mutual Fund Investment in Oman

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ABSTRACT

The research study was based on primary as well as secondary data, however primary data collected was given more importance since it is overbearing factor in attitude studies. One of the most important users of research methodology is that it helps in identifying the problem, collecting, analyzing the required information data and providing an alternative solution to the problem. It also helps in collecting the vital information that is required by the top management to assist them for better decision making both days to day decision and critical ones.

This study has attempted to understand the financial behaviour of Mutual Fund investors in connection with the preferences of Brand (AMC), Products, and Channels etc. Many people do not have invested in mutual fund due to lack of awareness although they have money to invest. As the awareness and income are growing the number of mutual funds investors are also growing. "Brand" plays an important role in investment. People invest in those companies where they have faith or they are well known for them. There are many AMCs in Salalah, Oman but only some are performing well due to Brand awareness. Distribution channels are also important for the investment in a mutual fund. Banks are the most preferred channel for the investment in a mutual fund. They can change investors' mind from one investment option to others. Many investors directly invest their money through AMC.

Keywords: Investors, Preferences, Mutual Fund, Globalization, Liberalization.

1. Introduction

Economic liberalization and globalization have brought a fervent environment for the medium and small investors. There are a large number of small investors, who can save and make an investment in the corporate sector. But a majority of them lack the professional expertise to face the bull and bear so proxy via the mutual funds is emerging as the most popular channel in the investment business. Mutual Funds being an institutional investment agency are treated as a suitable vehicle especially for small investors, who normally avoid investing in the capital market and are unable to predict its conditions. Mutual Funds can provide expert advice and portfolio management by reducing unsystematic risk while offering good returns. They are considered to be the powerful engines and catalytic agents for resource mobilization from the common investors to the corporate sector. It provides the benefits of diversification, professional management, liquidity of the investment, low initial investment, reduced risks, tax benefits etc. The Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction and in the same proportion at the same time. Mutual Fund Schemes issue Units to the investors by the quantum of money invested by them. Investors of Mutual Fund Schemes are known as unit holders. This research study attempted to understand the financial behaviour of Mutual Fund investors in connection with the preferences of Brand (AMC), Products, and Channels etc. It has been observed that many people have fear of the Mutual Fund. They think their money will not be secure in Mutual Fund. They need knowledge of Mutual Fund Schemes and its related terms. Many people do not have invested in Mutual Fund Schemes due to lack of awareness although they have money to invest. As the awareness and income are growing the number of mutual funds investors are also growing.

The most vital problem spotted is ignorance. Investors should be made aware of the benefits. Nobody will invest until and unless he is fully convinced. Investors should be made to realize that ignorance is no longer bliss and what

they are losing by not investing. Mutual Fund Schemes offer a lot of benefits which no other single option could offer. But most people are not even aware of what a mutual fund is? They only see it as just another investment option. So the advisors should try to change their mindsets. “Brand” plays an important role in investment. People invest in those companies where they have faith or they are well known to them. There are many AMCs in Oman but only some are performing well due to Brand awareness. Some AMCs are not performing well although some of the schemes of them are giving good return because of not awareness about Brand.

Bank Muscat Funds

Bank Muscat AMD enjoys an undisputed leadership position in the local mutual funds market. The products offered are:

- Bank Muscat Oryx Fund
- Bank Muscat Muscat Fund
- BM S&P GCC Largecap Index Fund
- Bank Muscat Money Market Fund
- India Growth Fund
- India Dynamic Fund
- India Equity Fund Of Funds
- Bank Muscat MSCI® Kuwait Fund
- Khairat India Fund
- Bank Muscat India Growth Fund
- Bank Muscat Oryx Fund
- BM S&P GCC LARGE CAP INDEX FUND
- Bank Muscat Money Market Fund
- India Equity Fund of Funds
- India Dynamic Fund

1.1 Research Methodology

Collecting, Analyzing and interpretation is the essence of any research. Hence the primary and secondary source of data which was relevant to the topic was used. This section describes the research procedure and methods that have been adopted for the successful completion of the study.

1.2 Objectives of the Study

1. To find out the Investors Preferences for mutual fund schemes
2. To know the reason behind investors preferences for specific mutual fund
3. To know why to invest or not to invest in BANK MUSCAT Mutual Fund Schemes
4. To find out the most preferred channel for investment.
5. To find out what steps should be taken to boost the Mutual Fund Industry.

1.3 Data sources:

Research study was based on primary data. Secondary data was used only for the reference. The research was done by primary data collection, and primary data was collected by interviewing various customers of Bank Muscat. The secondary data was collected through various publications including websites.

1.4 Sampling:

The sample was selected of them who are the customers/visitors of Bank Muscat Branches in Salalah, irrespective of them being investors or not or availing the services or not. It was also collected through personal visits to persons, by formal and informal talks and through filling up the questionnaire prepared. The data has been analyzed by using mathematical/Statistical tool. The sample size was limited to 200 investors only. Data was presented with the help of bar graph, pie charts, line graphs etc.

Limitation:

- 1) The sample size is limited to 200 Investors of Bank Muscat Salalah, Oman. The sample size may not adequately represent the whole market.

- 2) Some respondents may be reluctant to divulge personal information which can affect the validity of all responses.
- 3) The research is confined to a certain part of Oman

2. Review of Literature

Review of literature is a brief description of mutual funds research work conducted in India as well as abroad. Some of these studies have been reviewed in the following paragraphs to establish the research gap and the need for the present study. (Khan, Tabook, & Zainab, 2018), (Khan, Alam, & Syed, 2021) developed a methodology for evaluating mutual fund performance that is popularly referred to as reward to volatility ratio. (Khan, 2018) carried out a well-acknowledged and widely quoted work on performance evaluation. (Khan M., 2015) also developed a composite measure of performance evaluation that considers both return & risk.

(Khan, Syed, & Khan, 2021), (Khan, Tabook, & Zainab, 2018) developed an absolute measure of performance-based upon the Capital Asset Pricing Model. The excess fund returns were regressed upon the excess market returns to estimate the characteristics line of the regression model. (Khan M. A., 2011) and (Khan M. A., 2016) examined the overall performance of mutual funds during the period 2008-2018. However, (Khan M., 2019) and (Khan, Mohammed Aref, & Farooque, 2020) emphasized analyzing the effect of using different indices as a proxy for the market over different periods. He reported that funds performance related to the market varied depending upon which index was used for the market viz. S&P 500, NYSE composite or DJIA.

(Khan & Al Mamari, 2019) estimated the systematic risk and performance of 49 mutual funds over the period by utilizing monthly price data. The result indicated that a very substantial fraction of mutual funds had two-level of systematic risk during each of three sub-periods. (Khan, Mohammad, Mohammed, & Syed, 2016) developed conditions under which company can measure their profitability correctly and completely capture market that attracts fund managers. (Khan & Tabook, 2019) demonstrated theoretically and empirically that it was possible to construct portfolios that showed artificial timing ability when, in fact, no true timing ability existed. In particular, investing in options or levered securities will show spurious market timing. (Khan, Tabook, & Zainab, 2018) examined market timing and selectivity performance of selected mutual funds. They concluded that at the individual level, there was some evidence of superior forecasting ability on the part of the fund manager. (Khan, 2018) evaluated the performance of two major growth-oriented mutual fund schemes- Master share and Can share. They concluded that both of these funds provided abnormal returns. Master share outperformed on a total-risk adjusted basis while Can share did on a market-risk adjusted basis. (Khan & Tabook, 2019) conducted a study on the performance evaluation of portfolio managers. (Khan, Tabook, & Zainab, 2018) examined the performance of investment using monthly NAV data. The study showed that the mutual funds were not properly diversified (Khan, Tabook, & Zainab, 2018).

(Khan, 2018) appraised the status of mutual fund industry in pre-liberalization and post-liberalization era extended over the period. (Khan, Tabook, & Zainab, 2018) found that mutual fund industry was one of the fastest growing sectors in the capital and financial markets. (Khan, 2018) examined that since the development of the capital Market and deregulations of the economy and it has come a long way with lots of ups and downs. The study revealed that the performance is affected by saving and investment habits of the people; on the second side, the confidence and loyalty of the fund manager and rewards affect the performance of the mutual fund industry in Oman. (Khan, Tabook, & Zainab, 2018) revealed that mutual funds are financial intermediaries concerned with mobilizing savings of those who have a surplus and the canalization of these savings in those avenues where there is a demand for funds.

3. Data Analysis & Interpretation

Analysis & Interpretation of the Data

- 3.1) **Age distribution of the Investors of Salalah, Oman:** According to this chart out of 200 Mutual Fund investors of Salalah, Oman the most are in the age group of 36-40 yrs. i.e. 30%, the second most Respondents are in the age group of 41-45yrs i.e. 25% and the least Respondents are in the age group of below 30 yrs.

Age Group	<= 30	31-35	36-40	41-45	46-50	>50
No. of Investors	0	20	60	50	40	30

- 3.2) Educational Qualification of investors:** Out of 200 Mutual Fund investors 20% of the Respondents are Graduate/Post Graduate, 35% are Under Graduate and 45% are others (school drop).

Educational Qualification	Number of Investors
Graduate/ Post Graduate	20
Under Graduate	70
Others school drop	90
Total	200

- 3.3) Occupation of the investors:** In Occupation group out of 200 investors, 15% are Pvt. Employees, 40% are Businessman, 35% are Govt. Employees, 5% are in Farming and 5% are others.

Occupation	No. of Investors
Govt. Service	70
Pvt. Service	30
Business	80
Farm	10
Others	10

- 3.4) Monthly Family Income of the Investors:** As per Income Group 45% Respondents that is the maximum investors are in the monthly income group 2001 to 3000, Second one i.e. 35% Respondents are in the monthly income group of 1500-2000, the third one i.e. 15% Respondents are in the monthly income group of 1000-1500 and the minimum Respondents i.e.5% are in the monthly income group of below 3000 & above.

Income Group	No. of Investors
1000-1500	30
1500-2000	70
20001-3000	90
3000 & Above	10

- 3.5) Preference of factors while investing in Mutual Fund:** Out of 200 People, 40% of People prefer to invest where there is High Return, 25% prefer to invest where there is Low Risk and 45% prefer easy Liquidity.

Factors	(a) Liquidity	(b) Low Risk	(c) High Return
No. of Respondents	70	50	80

- 3.6) Source of information for customers about Mutual Fund:** From the above table it can be inferred that the Financial Advisor is the most important source of information about Mutual Fund. Out of 200 Respondents, 200% know about Mutual fund through Financial Advisor, 50% through Bank, 15% through Peer Group and 15% through Advertisement.

Source of information	No. of Respondents
Advertisement	30
Peer Group	30
Bank	10
Financial Advisors	40

- 3.7) Investors invested in different Mutual Funds offered by Assets Management Co. (AMC):** Most of the Respondents preferred BM S&P GCC Large-cap Index Fund and Bank Muscat Oryx Fund. Out of 200

Investors, 35% have invested in Bank Muscat Oryx Fund and 40% have invested in BM S&P GCC Large-cap Index Fund and 10% in Bank Muscat (Muscat) Fund in 15% in Bank Muscat Money Market Fund

Name of AMC	No. of Investors
Bank Muscat Oryx Fund	70
Bank Muscat (Muscat) Fund	20
BM S&P GCC Large-cap Index Fund	80
Bank Muscat Money Market Fund	30

- 3.8) **Reason for the preference:** Out of 200 investors 15% have invested because of its association with Brand Bank Muscat, 15% invested on Advice from Bank or Financial Advisor and 70% invested for a better return.

Reason	No. of Respondents
Associated with Bank Muscat	30
Better Return	140
Bank or Financial	30

- 3.9) **Reason for not invested in other Mutual Fund schemes of Oman:** Out of Sample 200 Investors who have not invested in mutual fund schemes other than bank Muscat schemes, 30% are not aware of schemes, 60% do not want to invest due to risk of low or less return and 10% due to advice by their financial Adviser.

Reason	No. of Respondents
Not Aware	60
Low Return	120
Financial Adviser	20

- 3.10) **Preference of Investors for future investment in Mutual Fund:** Out of 200 investors, 55% prefer to invest in future with Bank Muscat Oryx Fund, 20% with Bank Muscat (Muscat) Fund, 20% with BM S&P GCC Large cap Index Fund and 5% with Bank Muscat Money Market Funds.

Name of the Fund	No. of Investors
Bank Muscat Oryx Fund	110
Bank Muscat (Muscat) Fund	40
BM S&P GCC Large-cap Index Fund	40
Bank Muscat Money Market Fund	10

- 3.11) **Channel Preferred by the Investors for Mutual Fund Investment:** Out of 200 Investors 60% preferred to invest through Financial Advisors, 25% through AMC and 15% through Bank.

Channel	Financial Advisor	Bank	AMC
No. of Respondents	120	30	50

- 3.12) **Mode of Investment Preferred by the Investors:** Out of 200 Investors 65% preferred One-time Investment and 35 % Preferred through Systematic Investment Plan (Some amount at proper intervals).

Mode of Investment	One time Investment	Systematic Investment (Some amount at proper intervals)
No. of Respondents	130	70

- 3.13) **Preferred Portfolios by the Investors:** From the above, it clearly says that 70% preferred Equity Portfolio, 30% preferred Balance and 0% preferred Debt portfolio

Portfolio	No. of Investors
Equity	140
Debt	00
Balanced	60

3.14) Preference of Investors whether to invest in Sectoral Funds: Out of 200 investors, 55% of Respondents do not prefer to invest in Sectoral Fund because there is maximum risk and 45% prefer to invest in Sectoral Fund.

Response	No. of Respondents
Yes	110
No	90

4. Research Findings

Respondents in the Age Group of 36-40 years were more in numbers in Salalah. The second most were the Respondents in the age group of 41-45 years and the least Respondents were in the age group of below 30 years as per the sample collected.

- a) In Salalah, most of the Respondents were school drop i.e. below schooling and few were Graduate or Post Graduate in numbers. In Occupation group most of the Respondents were Businessman or Govt. employees, the second most Respondents were Private employees and the least were associated with Farming. In family Income group, between Omr. 20001- 3000 were more in numbers, the second most were in the Income group of 1500-20000 and the least was in the group of above 3000.
- b) Mostly Respondents preferred High Return while investment, the second most preferred was liquidity and the least preferred was low risk(Khan & Alam, 2019).
- c) It has been observed that the bank is the most important source of information about the Mutual Fund. Out of 200 Respondents, 40% know about Mutual fund through a bank, 200% through a financial advisor, 15% through Peer Group and 15% through Advertisement.
- d) Most of the Respondents preferred BM S&P GCC Large-cap Index Fund and Bank Muscat Oryx Fund. Out of 200 Respondents, 35% have invested in Bank Muscat Oryx Fund and 40% have invested in BM S&P GCC Large-cap Index Fund and 10% in Bank Muscat (Muscat) Fund in 15% in Bank Muscat Money Market Fund.
- e) Out of 200 Respondents, 15% have invested because of its association with Brand Bank Muscat, 15% invested on Advice from Bank or Financial Advisor and 70% invested for a better return.
- f) Out of Sample 200 Respondents who have not invested in mutual fund schemes other than bank Muscat schemes, 30% are not aware of schemes, 60% do not want to invest due to risk of low or less return and 10% due to advice by their financial Adviser
- g) Out of 200 Respondents, 55% prefer to invest in future with Bank Muscat Oryx Fund, 200% with Bank Muscat (Muscat) Fund, 200% with BM S&P GCC Large-cap Index Fund and 5% with Bank Muscat Money Market Funds
- h) Out of 200 Respondents, 60% preferred to invest through Financial Advisors, 25% through AMC and 15% through Bank.
- i) Out of 200 Respondents, 65% preferred One-time Investment and 35 % Preferred through Systematic Investment Plan (Some amount at proper intervals).
- j) Out of 200 Respondents 70% preferred Equity Portfolio, 30% preferred Balance and 0% preferred Debt portfolio
- k) Out of 200 Respondents, 55% of Respondents do not prefer to invest in Sectoral Fund because there is maximum risk and 45% prefer to invest in Sectoral Fund.

5. Conclusion

This study has attempted to understand the financial behaviour of Mutual Fund investors in connection with the preferences of Brand (AMC), Products, and Channels etc. Many people do not have invested in mutual fund due to lack of awareness although they have money to invest. As the awareness and income are growing the number of mutual funds investors are also growing. "Brand" plays an important role in investment. People invest in those companies where they have faith or they are well known for them. There are many AMCs in Salalah, Oman but only some are performing well due to Brand awareness. Distribution channels are also important for the investment in a mutual fund. Banks are the most preferred channel for the investment in a mutual fund. They can change investors' mind from one investment option to others. Many investors directly invest their money through AMC.

6. Recommendations

- a) The most vital problem spotted is ignorance. Investors should be made aware of the benefits. Nobody will invest until and unless he is fully convinced.
- b) Younger people aged under 35 will be a key new customer group into the future, so making greater efforts with younger customers who show some interest in investing should pay off.
- c) Customers with graduate-level education are easier to sell to and there is a largely untapped market there. To succeed, however, advisors must provide sound advice and high quality.

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