

A STUDY ON INVESTORS' PERCEPTION TOWARDS MUTUAL FUND  
INVESTMENT: A CASE STUDY OF PRUDENTIAL BANK LIMITED

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BY

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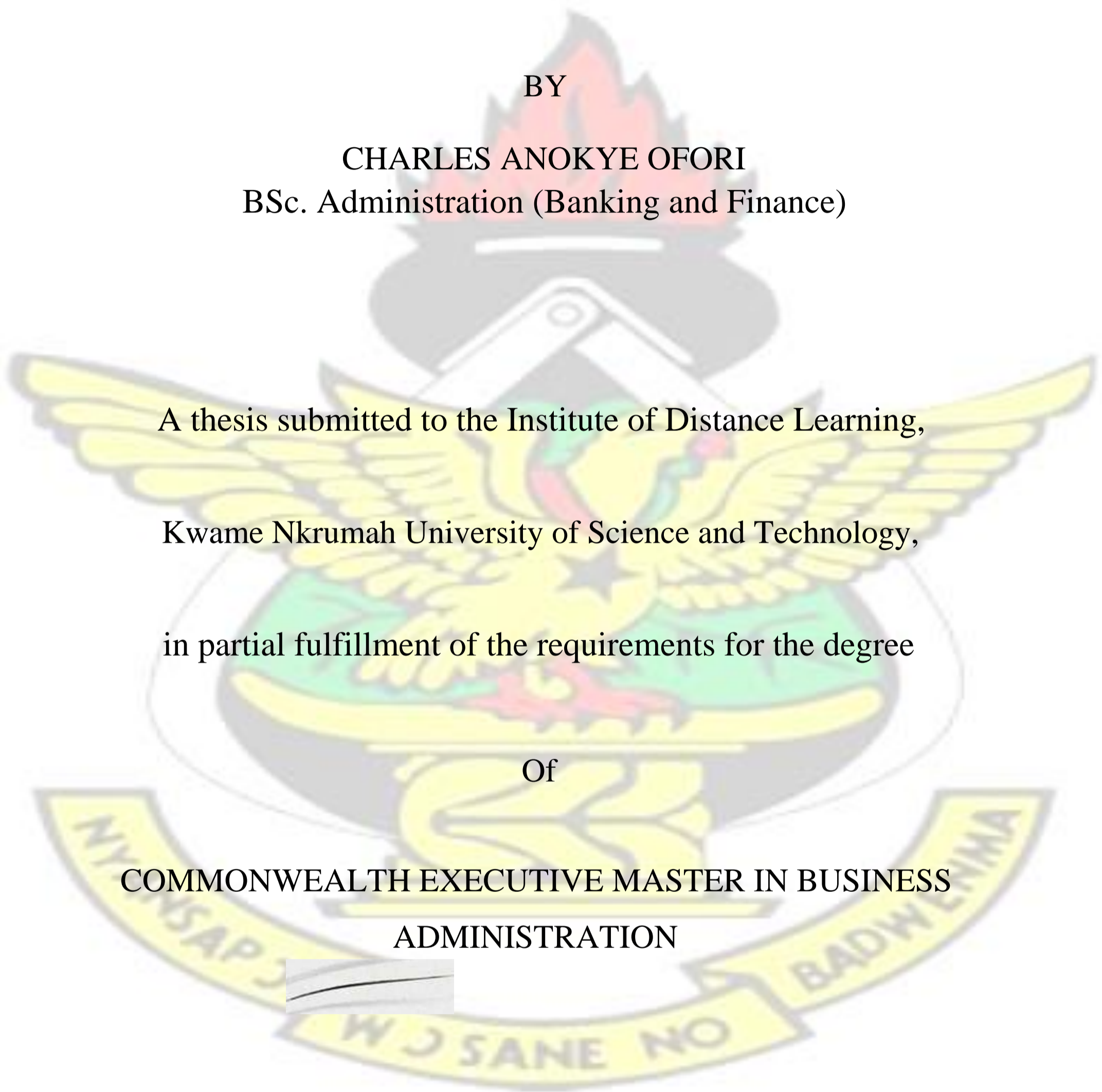
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Of

COMMONWEALTH EXECUTIVE MASTER IN BUSINESS  
ADMINISTRATION



July, 2013  
DECLARATION

I hereby declare that this submission is my own work towards the award of a Commonwealth Executive Masters in Business Administration (CEMBA) and that to the best of my knowledge, it contains neither material previously published by another person nor material which has been accepted for the award of any degree of the University, except where due acknowledgement has been made in the text.

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ABSTRACT

Mutual fund is a collective investment scheme that pools funds of investors with common investment goal together (Security and Exchange Commission, 2002-2003). The fund is managed on behalf of investors by a professional fund manager. The fund invests in both Capital and Money Market instruments such as stocks, bond and other securities according to the specific investment objective for the scheme. Hence, mutual fund offers

an opportunity to invest in a diversified, professionally managed basket of securities. Although there are over twenty four (24) registered mutual fund companies in Ghana (Annual Report Ghana, 2011), mutual fund has not gained the needed patronage as expected. Many investors now are investing more in Treasury Bills and Banks' Fixed Deposit. This study looks at the perception of investors toward mutual fund and identifies the factors responsible for investing and not investing in mutual funds. It also looks at the main information source of mutual fund to investors and investors knowledge of the type of mutual fund scheme their investments are held. Questionnaires and interviews were used to collect the needed data from sixty five (65) randomly sampled respondents from Six (6) Prudential Bank branches in the Kumasi Metropolis. Tables and Figures were used to analyze the collected data with the aid of Statistical Package for Social Scientist (SPSS). It was found that majority of the respondents although have heard of mutual fund investments don't hold investment in mutual fund. Preference for other forms of investment was the major reason offered by respondents. Investors with mutual fund investments also ranked contribution to pension as their top most factor for investing. It was also identified that friends are the main sources of information on mutual fund whilst most mutual fund investors do not know the type of mutual fund-scheme their investments are held. The study recommends the creation of awareness of the benefits of mutual funds through the agents of mutual fund companies to attract more investors. It further recommends that fund managers must educate investors on the type of mutual fund schemes available to them. Lastly, the study recommends the establishment of pension fund scheme to attract more investors.

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DEDICATION

I dedicate this thesis to my parents, Mr. Rexford Ofori and Madam Agnes Ofori, for their immeasurable contribution to my entire education.



## ACKNOWLEDGEMENT

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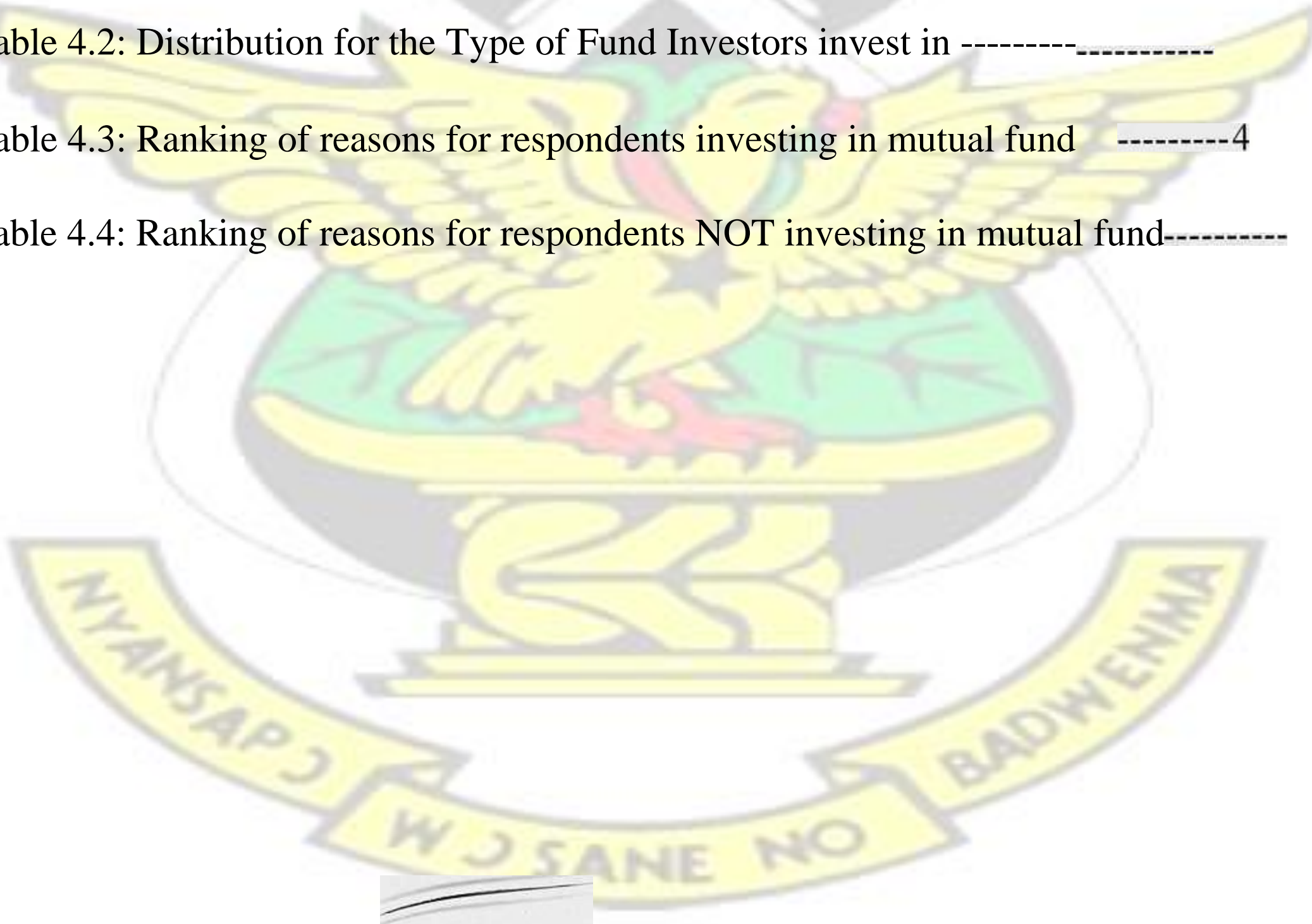
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## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Investment is the current commitment of funds for a period in order to derive future payments that will compensate the investor for; the time the funds are committed, the expected rate of inflation and the uncertainty of the future payments (Reilly and Norton, 1999). The investor commits a known fund today for some expected future stream of payments that will be greater than the initial outlay. However, investment comes with its own forms of risk. The investor can lose some or all the funds invested. Yet, investors do commit their funds into various forms of investment because the future cannot be certainly predicted.

Mutual fund is an investment company that sells shares and uses the proceeds to manage a portfolio of securities (Madura, 2001). It pools the funds of investors together and invests them in securities to achieve the fund's stated goal. These investors, therefore, have common investment goal. A mutual fund is administered through a parent company which hires a professional fund manager to manage the funds on behalf of investors. The fund manager forecasts the future performance on investments appropriate for the fund's objectives—the investment which he believes will match the fund's objectives.

The fund manager invests the money in capital and money market instruments such as stocks, bonds and other securities according to the investment objectives of the fund.

Stock Funds invest in shares of a particular industry such as banking. Bonds Funds can vary according to risk. Example; high-yield or junk bonds, investment grade corporate bonds. The income earned through such investments and the capital appreciations realized are shared by the funds' investors in proportion to their contributions. Small investors who purchase securities individually are often unable to diversify because of their limited investment. Mutual fund offers a way to diversify. And also, because mutual fund uses experienced fund managers with the requisite skills and knowledge, investors do not have to manage the portfolio themselves. Thus, mutual fund is a suitable investment to the common person because it offers an opportunity to invest in a diversified, professionally managed portfolio of securities.

Mutual fund companies charge huge fees for their services. Some of the fees are charged at the time a fund is purchased or when the fund is liquidated, These fees range between 2% to 3% on redemption depending on the number of years an investment is held with them. There is a saying that mutual fund companies put up 20% of the money but make 80% of the profit (Annual Report Ghana, 2011). This means, the investor earns the smaller part compared to what the fund managers make for their companies.

Investors have the option putting their monies into depository institutions like Banks, Savings and Loans Companies and Credit Unions but investing in mutual fund gives investors partial ownership whereas depository institutions represent a form of credit. Investors therefore share the gains and losses in mutual fund investment whilst deposit institutions provide only interest on the amount deposited.

Investors' decision to invest or not invest in mutual fund is affected by their perception of mutual fund investment. This study looks at investors' perception of mutual fund investment using Prudential Bank Limited as a case study..

## 1.2 Statement of Problem

There are over twenty four (24) registered mutual fund companies in Ghana (Annual Report Ghana, 2011). However, most investors, currently, prefer investing in Treasury Bill to mutual fund. Mutual fund in Ghana has not gained the needed acceptance to match the numerous benefits associated with it.

Again, most investors expresses little knowledge about the; type of mutual fund scheme their monies are invested in, implication of market fluctuations on their investments, various risks associated with mutual fund investments and how to monitor the performance of their investments.

The questions therefore are as follows; what factors do investors consider before investing in mutual funds? How knowledgeable are investors about the types of mutual fund schemes? What is the main information source of mutual fund to investors? What factors contribute to those Investors not investing in mutual fund? These are the issues the study seeks to identify.

### 1.3 Research Objectives

The main objective of this research is to study the perception of investors toward mutual fund investment. Pursuant to this objective, the following specific objectives have been set:

- to identify the factors, on the basis of ranking, for investing in mutual fund.
- to identify the level of investors' knowledge on the types of mutual fund schemes their investment are held .
- to identify the main information source influencing mutual fund investors buying decision.
- to identify the reasons, on the basis of ranking, why other investors do not invest in mutual fund.

### 1.4 Research Questions

This research would enable the researcher to come out with answers to the following questions:

- what factors do investors consider before investing in mutual fund?
- why type of mutual fund scheme do investors invest in?
- what is the main information source of mutual fund to investors?
- what factors contribute to other investors not investing in mutual fund?

### 1.5 Methodology of the Study

This research is basically based on primary data although secondary data were also used. Questionnaires were used as the main data collection method as well as interview to collect data from sixty five respondents who were selected by random sampling method to form the sample size for the study. Tables and Figures were used to analyze the data with the aid of Statistical Package for Social Scientist (SPSS).

### 1.6 Justification of the Study

Although this research is for academic purpose, findings from this research will go across the boundaries of academic work. Also, because there is little literature on the topic in Ghana, this study will add to the literature on investors' perception of mutual fund investment with a special focus on investors in Ghana. The findings from this research could also be of great interest to mutual fund companies and investors as follows:

Because the study identifies the factors that influence investors' decision to invest in mutual fund, mutual funds companies will benefit from the study by being educated on these factors. Also, the study identifies the main source of knowledge of mutual fund to investors. These factors will—mutual fund companies to effectively plan their marketing activities to attract more investors to their fund.

To investors, this study attempts to review the type of mutual fund schemes available to investors. This therefore, will offer some form of education to investors to enable them

make informed investment decision in respect of the type of mutual fund scheme that meets their investment goals.

### 1.7 Scope and Limitation of the Study

This research seeks to study investors' perception on mutual fund investment. It is however, a general study of investors perception and do not probe too much into the analysis of factors that shape their perception. Pursuant to this objective, factors for investing in mutual fund by investors are identified as well as the main source of mutual fund information to investors. Also, factors that prevent investors from investing in mutual fund are also identified in addition to investors level of knowledge of the type of mutual fund schemes their investments are held.

The findings of the study are based on the responses of a representative sample of sixty five (65) respondents who were staff members of all the six branches of Prudential Bank limited within the Kumasi Metropolis in the Ashanti Region of Ghana.

The research could have included other Banks and even non-banks financial institutions; however, because of time and financial constraints, the study is limited to only staff members of Prudential Bank in the Kumasi Metropolis.

## 1.8 Organization of the Study

The whole study is in five chapters. Chapter one deals with the general introduction of the study with special emphasis on the background of the study, statement of the problem, research objectives, research questions, significance of the study, methodology, justification of study, scope and limitation of the study and the organization of the study. Chapter two deals with the literature review. The chapter also looks at the views of other writers on the topic. Chapter three handles the methodology that is used in collecting and analyzing data. Chapter four of the study deals with the analysis of the data collected. The final chapter deals with summary of the findings, conclusion and recommendations for future consideration.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter generally reviews relevant literature on the subject matter as it relates to investors' perception toward mutual fund investment. It seeks to describe in detail, other people and bodies view and related works about the topic under discussion. Section 2.2 presents definition of key terms: Investment and Mutual Fund. Literature on the types of mutual fund schemes is covered under section 2.3 whilst section 2.4 looks at Empirical Studies on mutual fund. Concept of mutual fund in Ghana is covered under section 2.5

#### 2.2. Definition of Terms

##### 2.2.1 Investment

Reilly and Norton (1999) define investment as 'the current commitment of funds for a period of time in order to derive future payments that will compensate the investor for: The time the funds are committed, the expected rate of inflation and the uncertainty of the future payments. Investment is also defined by Singh (2003) as the employment of funds with the aim of achieving additional income or growth in value. The essential quality of investment is that it involves waiting for a reward. He further explains that Investment is-tîié allocation-úffiÖÑJiÑry resources to assets that are expected to yield positive returns over a given period of time.

## 2.2.2 Mutual Fund

Mutual fund has been defined in several ways. According to Singh (2012), mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. Madura (2001) defines mutual fund as 'an investment company that sells shares and uses the proceeds to manage a portfolio of securities. Mutual fund as also defined by Yadav (2011), is an investment vehicle that pools in the monies of several investors, and collectively invests the amount in either the equity market or the debt market, or both, depending upon the fund's objective. A mutual fund is a public or external company incorporated solely to hold and manage securities or other financial assets (Security and Exchange Commission of Ghana, 2002-2003).

The above definitions looks at mutual fund as monies collected from several investors to form a pool of fund large enough to create a portfolio of diversified investment which may include; stocks, bonds, and many more. By this method, small investors who could not afford to buy shares are able to invest in shares of listed companies that the fund is invested in.

## 2.3. Literature on Types of Mutual Fund Scheme

There are a variety of Mutual Fund Schemes that cater to one's needs, whatever the age,

financial position, risk tolerance and return expectations are. Whether as the foundation of one's investment program or as a supplement, mutual fund schemes can help an investor meet his or her financial goals (Yadav, 2011). Mutual fund schemes provide an investment plan designed to enable the investor achieve his or her investment goal. The

returns derived from mutual fund investments are affected by the type of scheme the fund invest in. The various fund schemes available to investors are considered below:

### 2.3.1 Open-Ended Funds

Open-Ended Funds according to Madura (2001) repurchase the shares they sell from their investors at any time. This, according to him, is an attractive characteristic as it offers liquidity to investors. Yadav (2011) also explains that open-end schemes do not have fixed maturity and that the investor deals directly with the mutual fund for investments and redemptions. The investors can therefore buy and sell their units at Net Asset Value related price. Also according to the Security and Exchange Commission (2002-2003), these are funds which stand ready to repurchase their shares from the holders in any quantity and whenever the holder should desire. In addition they sell shares in any quantity to prospective investors at whatever time the investors determine.

In other words, open-end funds stand ready to issue new shares or redeem outstanding shares on a continuous basis. The number of shares of the fund, therefore, fluctuates as investors purchase or redeems shares. The price of a share in an open-end fund is determined by the net asset value per share of the fund, where net asset value per share refers to the total value of the assets in the fund's portfolio, less any fund liabilities, divided by the number of shares outstanding.

### 2.3.2 Closed-Ended Funds

Closed-Ended Funds as also explained by Madura (2001) do not repurchase the shares they sell. He further observed that investors see the shares on a stock market just like

corporate stock and that the number of outstanding shares sold by a fund usually remains constant and equal to the number of original shares issued. Also according to Yadav (2011), closed-ended schemes have a stipulated maturity period (ranging from 2 to 15 years). And that one can invest directly in the scheme at the time of the initial issue and thereafter you can buy or sell the units of the scheme on the stock exchanges where they are listed. The market price at the stock exchange could vary from the scheme's net asset value on account of demand and supply situation, unit holders' expectations and other market factors. Close-ended funds are funds which issue a fixed number of shares and do not stand ready to repurchase their shares from their shareholders when they decide to sell them. The Securities Industry (Amendment) Law requires that closed ended funds be listed on an organized exchange in order to provide liquidity to the shareholders. These shares are traded at prices determined by the laws of supply and demand (Security and Exchange Commission, 2002-2003)

### 2.3.3 Growth Funds

Growth Funds aim to provide capital appreciation over the medium to long term (Yadav, 2011). He indicates that the fund normally invests majority of their funds in equities and are willing to bear short-term decline in value for possible future appreciation. Madura (2001) on the other hand explains that investors who desire high returns and are willing to accept a moderate degree of risk should opt for growth fund. He further explains that growth funds typically composed of stocks of companies that have not fully matured and are expected to grow at a higher than average rate in the future. According to the Security

and Exchange Commission (2002-2003), growth funds invest primarily in common shares (equities) of local or foreign companies (if allowed), but may hold other assets as well.

Hence the investment motive here is to build an appreciation in capital over a long term. This can be used as a retirement plan. However, the associated risk is that the success or failure of the investment is determined by the performance of the securities that constitute the fund.

#### 2.3.4 Income Funds.

According to Yadav (2011), income funds aim to provide regular and steady income to investors. The funds generally invest in income securities such as bonds and corporate debentures. He further explains that income funds are for retired people and others with a need for capital stability and regular income and also investors who need some income to supplement their earnings. The Security and Exchange Commission (2002-2003), explains income funds to invest in debt securities like bonds, debentures and mortgages that pay regular interest, or corporate preferred shares that pay regular dividends.

#### 2.3.5 Money Market Funds

Money Market fund aims to provide liquidity, preservation of capital and moderate income. The fund generally invests in safer, short-term instruments such as treasury

bills, certificate of deposit, commercial paper and inter-bank call money. Returns on these schemes may fluctuate, depending upon the interest rates prevailing in the market. (Yadav, 2011). Madura (2001) also explains that money market funds are portfolio of money market (short-term) instruments constructed and managed by investment companies. He further goes on to state that because the sponsoring investment company is willing to purchase the money market fund back at any time, investors can liquidate their investments allowing the companies to build their money market fund portfolio by purchasing more securities. Also according to the Security and Exchange Commission (2002-2003), money market funds invest in short-term (less than one year to maturity), corporate and government debt securities such as treasury bills, and corporate note. Some money market funds specialize in or invest only in Treasury Bills. These are generally very low-risk funds offering moderate returns.

### 2.3.6 Index Funds

Some mutual funds are designed to simply match the performance of an existing stock index (Madura, 2001). According to him, index fund are composed of securities when put together are expected to move in line with a specific index. Index fund are funds which invest in a portfolio of securities selected to represent a specified target index or benchmark, such as the G All-Share Index and Databank Stock Index (Security and Exchange Commission, 2003).

The fund is made up of many of the same stocks. Investors who appreciate the performance of a particular index tend to prefer index fund. However, the investor is

exposed to the associated risk of the index. Therefore, the performance of the investment portfolio is directly linked to the performance of the index and this is mostly measured by the performance of the stocks making up the index

### 2.3.7 Balanced Funds

These are funds which invest in a 'balanced' portfolio of equities, long-term debt securities and money market instruments with the objective of providing reasonable returns with low to moderate risk (Security and Exchange Commission, 2002-2003). Also, Yadav, 2011 explains that balanced fund provides both growth and income by periodically distributing part of the income and capital gains they earn. These funds therefore invest in both equity and liquidity funds.

### 2.3.8 Global and International Funds

According to the Security and Exchange Commission (2002-2003), these are funds which may be fixed income, growth, or balanced funds that invest in foreign securities. Also according to Madura (2001), International Funds were created to allow investment in foreign securities.

These funds offer investment international diversification and exposure to foreign companies, however, the investment portfolio can be affected by foreign exchange risk as well as price fluctuations of the invested companies.

### 2.3.9 Specialty Funds

These are funds which invest primarily in a specific geographical area (e.g. Africa) or in a specific industry. As a result, specialty funds are subject to a certain risk-level related to the market in which it specializes (Security and Exchange Commission, 2002-2003).

Madura. 2001 also contends that specialty fund focus on a group of companies sharing particular characteristics. Specialty Funds therefore invest in the stocks of particular related industries such as banking, energy, manufacturing and high-tech industries.

#### 2.4. Empirical Literature on Mutual Fund

Lenard et al., (2003) investigated investors' attitude toward mutual fund investment. The study concluded that risk, investment losses, current asset allocation, capital base of the fund, investments mix, initial fund performance and portfolio diversification are what informs investors to switch funds.

Noronha (2007) evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure from April 2002 to March 2005. It was discovered that equity, tax plan and index funds offer diversification and provide better returns as compared to sector specific funds.

Singh and Jha (2009) conducted a study on the awareness and acceptability of mutual funds and found the following factors contributing to investors' preference for mutual fund investment: return potential, liquidity and safety. However, their research also revealed that investors were not aware of the systematic investment plan offered by mutual fund investment.

Sikidar and Singh (1996) carried out a survey on investors to understand the behavioral aspects of the investors of the North Eastern Region towards equity and mutual funds investment portfolio. The survey revealed that salaried and self employed formed the major investors in mutual fund because of tax concessions.

Saini et al., (2011) in their study, which analyzed investors' behavior, opinion and perception relating to various factors like the objective of a fund scheme, role of financial

advisors, sources of information and deficiencies in the provision of service and investors' opinion relating to factors that attract them to invest in mutual funds concluded that investors seek for liquidity, simplicity in offer documents, online trading, regular updates through SMS and stringent follow up of provisions. The study analyzed investors'.

Singh (2004) studied the performance of mutual funds in India. He observed that small investors perceived mutual funds to be better investment alternative and less risky. Also, they concluded that middle class salaried investors and professionals preferred to have disclosure of the net asset value on a day to day basis and wanted to invest in funds in order to get higher tax rebate.

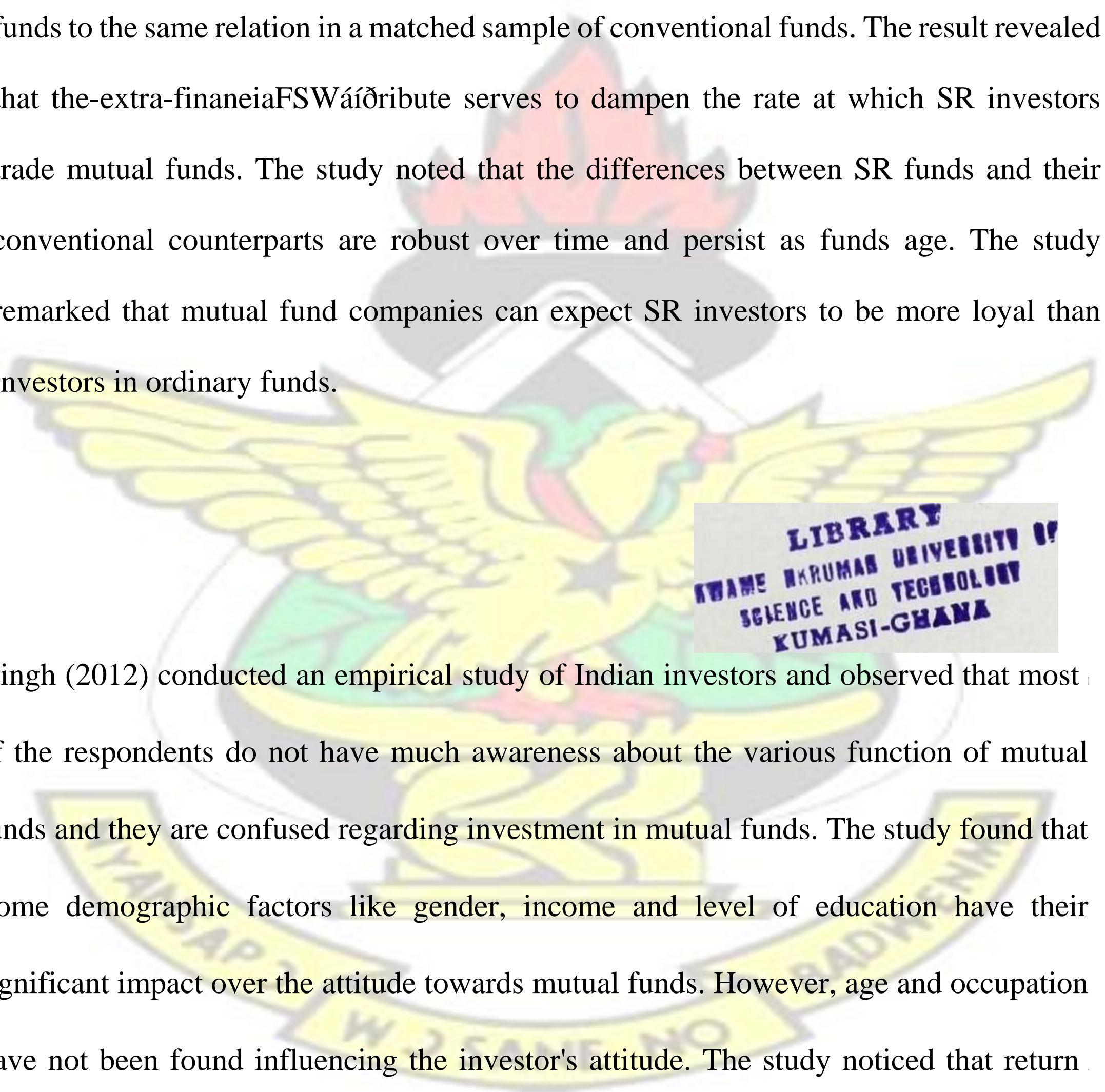
Desjgarv et al., (2006) studied women investors' perception toward investment and concluded that basically women investors are indecisive in investing in mutual funds due to reasons like lack of knowledge about investment protection and procedures, market fluctuations, associated risk with investment, assessment of investment and redresses of grievances regarding their investment related problems. They also noted that women naturally like to save.

Sankaran (2004) proposes that the future direction for investors will be to invest in pension funds, as government. He further opined that mutual fund industry will continue to grow in spite of competition and will be propelled in the right direction because of the investor friendly financial markets.

Anand and Murugaigh (2004) studied strategies for marketing financial services. They found that to survive and operate in the mutual fund industry, new strategies must be

adopted by mutual fund companies. They again observed that survival requires new strategies and tactics that will enable them to capture maximum opportunities with the lowest risk.

Bollen (2006) studied mutual fund attributes and investors behavior. The study looked at the dynamics of investor fund flows in a sample of socially screened equity mutual funds. They compared the relation between annual fund flows and lagged performance in SR funds to the same relation in a matched sample of conventional funds. The result revealed that the extra-financial factor serves to dampen the rate at which SR investors trade mutual funds. The study noted that the differences between SR funds and their conventional counterparts are robust over time and persist as funds age. The study remarked that mutual fund companies can expect SR investors to be more loyal than investors in ordinary funds.



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Singh (2012) conducted an empirical study of Indian investors and observed that most of the respondents do not have much awareness about the various function of mutual funds and they are confused regarding investment in mutual funds. The study found that some demographic factors like gender, income and level of education have their significant impact over the attitude towards mutual funds. However, age and occupation have not been found influencing the investor's attitude. The study noticed that return potential and liquidity have been perceived to be most lucrative benefits of investment in mutual funds and the same are followed by flexibility, transparency and affordability.

Ippolito (1992) studied consumers reaction to measures of poor quality mutual fund service. The study revealed that fund selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds.

Ramamurthy and Reddy (2005) conducted a study to analyze recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulated and governed by Securities and Exchange Board of India. The study also analyzed recent trends in mutual fund industry like exit and entry policies of mutual fund companies, schemes related to real estate, commodity, bullion and precious metals, entering of banking sector in mutual fund, buying and selling of mutual funds through online.

Walia and Kiran (2009) did an analysis of investors' risk perception toward mutual fund

services. They examined investor's perception towards risk involved in mutual funds, return from mutual funds in comparison to other financial instruments, transparency and disclosure practices. Problems investors encounter due to unprofessional services of mutual funds were also investigated. It was revealed that majority of individual investors do not consider mutual funds as highly risky investment. On the basis of ranking it is considered to be on lower side when compared with other financial services. They examined investor's perception towards risk involved in mutual funds,

transpaancy and





## List of Exhibits

Applications are considered incomplete until all documents 1-7 shown in bold letters in the following table are enclosed. Please mark which exhibits you have included and which are not applicable to you. Label documents with the exhibit number and attach them in numerical order. If you want to attach additional documents, label them starting with the number 12.

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Exhibit	Description	enclosed	not a Oicable
	School Leaving Certificate (certified true copy)		
2	Proof of English Language Skills (certified true copy)		
3	University Diploma(s), Final Certificate(s) certified true co ies		
4	University Transcripts (certified true copies)		
5	Letter of Motivation (maximum one page)		
6	Curriculum Vitae		
	Reference		
7b	Reference		

	Reference		
8	Confirmation(s) of employment from employer(s) if applicable, including duration of employment		
9	Proof of German Language Skills (if applicable)		
10	Confirmation of study leave from the employer (if you are currently employed and plan to return to the position after the Master's Program)		
11	Scholarship Application(s) (if applicable, normal copies of application form only)		

This application is valid only for the Master's Program Infrastructure Planning and application documents cannot be returned to the applicant. Applications will not be accepted if customs duties have to be paid for the package by the University of Stuttgart! You must not assign any monetary value to your application package if you have to fill in any customs declaration.

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 Germany

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Mishra (2008) conducted a study on the topic "Mutual Fund as a Better Investment Plan" and states that many of the people are skeptical of mutual fund investment. "They think their money will not be secure in Mutual funds," says Mishra. He also says that the investors need the knowledge of Mutual Funds and its related terms. Many of the people have not invested in Mutual funds due to lack of Awareness although they have money to invest, he adds. He again points out that brand plays an important role for the investment. Only people who invest directly know well about the Mutual fund and its operations, he further adds.

## 2.5 Concept of Mutual Fund in Ghana

According to the Security and Exchange Commission of Ghana, regulator of the Ghanaian mutual fund industry, the following represent the administration of the mutual fund industry in Ghana.

A mutual fund company should first be incorporated under the Companies Code 1963 (Act 197) as a public limited liability company with the sole aim of holding and managing portfolio of securities and other financial assets. An application for a license to operate is made to the Securities and Exchange Commission after incorporation.

The company must submit the following documents in support of the application for review before a license is issued--t&Opetâte as a mutual fund company.

1. Company Regulation
2. Management Agreement
3. Custodial Agreement / Trust Deed
4. Prospectus (offering document)

The main parties involved in the organization and operation of a mutual fund are: Mutual Fund Company, fund manager, fund custodian. The Mutual Fund Company is the company established to operate as a mutual fund.

The Fund Manager is a professional fund manager appointed by the Mutual Fund Company to manage the fund's investments. The manager must be a body corporate licensed by the Securities and Exchange Commission as an Investment Advisor.

The Fund Custodian is a company appointed by the Mutual Fund Company to keep custody of all the securities owned by the fund. The custodian must either be a bank, an insurance company or a financial institution or a wholly owned subsidiary of any of them approved by the Security and Exchange Commission.

## 2.6. Regulation of Mutual Funds in Ghana

All securities in Ghana are subject to securities laws that are administered and enforced by the Securities and Exchange Commission. The securities laws regulate the mutual fund industry in the following ways:

### 2.6.1 Registration Requirements

Any person who manages the investment portfolio of a scheme must be registered (licensed) by the Commission. This supports in ensuring that each operator, dealer, or adviser has the basic qualifications required to act on behalf of investors. Dealers are registered to trade shares on the Ghana Stock Market after they have passed the relevant exams organized by the Security and Exchange Commission whilst investment decision makers are registered as advisers. Registration is a continuous process, and thus subject to periodic renewal in order to ascertain the continued suitability of registrants.

### 2.6.2 Prospectus Requirements

All mutual fund companies must first provide a prospectus to the Commission and must give a summary disclosure document to each investor. The information contained in these documents is intended to allow investors and their financial advisers to make prudent and informed investment decisions. The mutual fund company is accountable under the law for the statements made in the prospectus. Once a fund has filed a prospectus it is also obliged to provide investors with financial statements and other important information on a regular basis.

### 2.6.3 Fund Operations and Sales Conduct

The Commission has also established regulations that govern the following: investment and marketing practices, the way in which fund assets must be held and the types of incentives to be paid to fund managers and dealer. All dealers on the Stock Market must be members of the Ghana Stock Exchange which is the industry's Self-Regulatory Organization.

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#### 2.6.4 Surveillance and Monitoring

The activities of mutual fund companies are controlled and supervised by the Security and Exchange Commission. This is to maintain proper standards of conduct and acceptable practices. Periodic provisions of financial and operational reports to the Commission are mandatory. These reports are reviewed alongside set standards and criteria to ensure that licensed operators continue to remain compliant over the period of operation and not only at the time of first application of license or at the time of renewal of their license.



## CHAPTER THREE

### METHODOLOGY

#### 3.1 Introduction

This chapter describes the method and the procedure adopted for the study. Among the areas covered under this chapter include research design and strategy, sampling frame, size and technique, method of data collection and profile of the study organization and the study area.

#### 3.2 Research Design

Research design covers the methodology adopted in assembling data aimed at providing answers to the research questions. Bryman and Bell (2007) define research design as the framework for the collection and analysis of data.

In order to successfully meet the objectives of this study, both descriptive and explanatory studies were carried out to investigate investors' perception towards mutual fund investment. Tromp (2006) noted that a descriptive study is concerned with fact finding which results in the formation of important principles of knowledge and solutions to investigations associated with a study. Data was collected through the use of questionnaires.

##### 3.2.1 Research Strategy

This research makes use of case study strategy. Cooper and Schindler (2010) explain that a case study strategy is suitable for descriptive research. According to Saunders, Lewis and

Thornhill (2009) case study strategy is also good for explanatory research.

Robson (2002) defines case study strategy as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life

context using multiple sources of evidence. Yin (2003) also highlights the importance of context, adding that, within a case study, the boundaries between the phenomenon being studied and the context with which it is being studied are not clearly evident. The research used the case study approach because the researcher seeks to gain a rich understanding of the context of the research and the processes being enacted as emphasized by Morris and Wood (1991). The study used case study strategy because it has considerable ability to generate answers to the question 'why' as well as the 'what' and 'how' questions as emphasized by Saunders et al., (2009)

### 3.2.2 Sampling Frame

Saunders et al., (2009) explain that a sample frame for any probability is a complete list of all the cases in the population from which your sample will be drawn.

In determining the sampling frame, the researcher considered clerks, officers and Managers who are members of staff of the six branches of Prudential Bank Limited in the Kumasi Metropolis. However, due to time constraints, a representative sample of 65 respondents was chosen for the study.

### 3.2.3 Sampling Procedure

Sampling is a procedure that a researcher uses to select a number of individuals or objects from a sample frame to be the subject of a study (Kombo and Tromp, 2006). They also noted that the selected group should contain representative characteristics of the entire group- Bryman and Bell (2007) also noted that sample is the segment of the population that is selected for investigation- Random sampling method used for selecting the sample of respondents from the sampling frame for this study.

## 32.4 Sample Size

A representative sample size of 65 respondents was chosen to form the sample size for the study. The respondents have been carefully chosen to reflect the cross-section of investors- The sample size was determined by the following formula (Saunders et al., 2009)

$$N = \frac{n \cdot 100}{RE\%}$$
$$= \underline{50 \cdot 100}$$

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Where: N is the actual sample size required n

is the minimum sample size

RE is the estimated response rate expressed as a percentage

## 3.3 Sources of Data

This research made use of ~~primary data~~. Secondary sources of data have also been considered.

### 3.3.1 Data Collection Instrument

Questionnaires were used in collecting the primary data needed. Robson (2002) argues that collecting data is about using the selected methods of investigation and doing it properly means using these methods in a systematic and professional fashion. He further contends that there is no best method so the selection of methods should be driven by the kind of research questions the researcher is seeking to answer. Saunders et al. 2009 also explains that the data collection method to be used is determined by the research question, objective and what is being examined.

### 3.3.2 Questionnaires Design

In order to collect data that precisely meets the objectives of the study, both open-ended and closed-ended questions were included in the questionnaire. The questionnaire was designed in concise and precise language to avoid ambiguity and also to arouse the respondents' interest. The questionnaire consisted of well structured (close ended) multiple choice questions which just required respondents to tick the right answers. It also included unstructured (open ended) question which allowed respondents to answer to the questions in their own words and freedom. The use of questionnaire allows information to be presented in both numerical and graphical backgrounds.

Open-ended questions are used widely in in-depth and semi-structured interviews. They are useful if you are unsure of the answer, such as in exploratory research, when you require a detailed answer or when you want to find out what is upper-most in the respondent's mind (Saunders et al., 2009). The questions are intended to give respondents room to give more information and express themselves to their satisfaction.

Close-ended questions are expected to produce the kind of answers expected by the researcher. Mugenda and Mugenda (2003) noted that close-ended questions enable a researcher to form an opinion and make a valuable conclusion. They contend that structured or close-ended questions are easier to analyze, administer and are more economical in terms of time and finances.

### 3.4 Validity and Reliability

Saunders et al., (2009) describe validity and reliability as referring to how collection of the data or how the conduction of the analysis will bring reliable findings. The researcher believes that data collection method and the findings are in line with what was intended to measure. To a large extent subject or participant error, subject or participant bias, observer error and observer bias were minimized.

### 3.5 Data Analysis and Interpretation

According to Saunders et al., (2009), analysis is the ability to break down data and to clarify the nature of the component parts and the relationship between them. The researcher analyzed and interpreted the collected data by using SPSS to obtain the frequencies and percentages of the questionnaire responses.

### 3.6 Profile of Prudential Bank-Lim-tt--d—

Prudential Bank Limited (PBL) was incorporated as a private limited liability company in 1993 under the Companies Code Act 179 and started business operations in August 1996. The bank has its corporate office at 8 Nina Avenue, Ring Road Central, Accra and currently has Thirty three Networked branches and two agencies located in Accra (19 branches and 2 agencies), Tema (2 branches), Kumasi (6 Branches), Takoradi (2

branches), Cape Coast (2 branches) Tamale (1 branch) and Techiman (1 branch). Prudential originally focused on export development and project financing at its inception but broadened its scope following the attainment of the universal banking license to actively support Small and Medium Scale Businesses. The Bank is wholly owned by indigenous Ghanaian companies and individuals.

### 3.6.1 Subsidiary Companies

The Bank has two wholly owned subsidiary companies namely; Prudential Properties Limited which is engaged in real estate development and facility management of the Bank and Prudential Securities Limited (PSI.) which is an investment banking company engaged in Stockbrokerage, Fund Management, Corporate Finance and Business Advisory Services as well as Equity and Economic Research

### 3.6.2 Corporate Mission

The Corporate Mission of the Bank is to provide domestic and international banking services with a strategic focus on project financing, export development and SME financing. The bank is committed to playing a positive and innovative role in the financial intermediation process and, most importantly, to offer the best and the most remunerative banking services to the business community. The hallmarks of the bank are: Quality, Creativity and Innovation.

### 3.6.3 Vision

To be a successful indigenous and the preferred bank in Ghana offering the most remunerative banking services to the public.

### 3.6.4 Human Resource Management

PBL as at the end of the 2012 financial year had a staff strength of 689 members of staff. The bank employs University graduates as officers of the bank and employs Higher National Degree holders as clerical staff.

University graduates, employed as officers are taken through a three (3) year Management Training Program. The program is designed to ensure that enough management resources are available to support the branch expansion program of the bank. The management training program covers the following areas in banking: 1. Cashiering 2. Account opening. 3. Back office 4. Credit Administration. 5. Central Account 6. Foreign operations. 7. Legal operations in banking and 8. Treasury Management. The grade of officers starts from Assistant banking officer level 1 to senior banking officer level 6 after which successful officers of the program are promoted to Assistant Manager's grade. The salary grade for the officer level starts from

GH¢1,500.00

I-IND holders are employed as clerical staff into supporting roles. They are normally employed as Cashiers and Back Office Staff. They are also however taken through a training program designed to assist them in the discharge of their studies. The grade of

clerical staff starts from Clerk level 1 through to Senior Clerk and finally to Chief Clerk level 6. The Salary level for the clerical staff starts from 1 ,031. It must however be mentioned that clerical staff can also be promoted to officer grade through hard work (Prudential Bank Operational Budget 2013).

### 3.6.5 Banking Products and Services of Prudential Bank Limited

Prudential Bank Limited is structured to provide a one-stop domestic and international banking services described below to its customers:

The Domestic banking services are designed to mobilize deposits, offer credit facilities and provide services to facilitate the general payment system. E-banking and E-switch products and services have been introduced recently to augment the traditional banking products and services offered by the Bank.

The Bank's domestic banking products and services include the following: Current Account, Savings Account, Prudential Business Savings Account, Prudential Welfare Savings Account, Fund Management Services, Fixed Deposit Account, Call Deposit Account, Certificate of Deposit, Local Currency Funds Transfer, Mobile Cash Collection Services;-Issue of BondsÑÑGuarantees, Credit Facilities, Cash Wise ATM Services, Debit Cards, E-Switch Cards, Instant Money Transfer and Examination and other Fee Collection Services.

Prudential Business Savings Account is a savings package purposely designed to provide financial assistance to existing and prospective customers wishing to expand or set up new business. The account holder qualifies for a loan of up to 125% of the balance on the account after operating the account for a period of six (6) months.

Prudential Welfare Savings Account is a savings account package designed to assist the account holder to buy some basic household items such as television, cooker, refrigerator, furniture etc. The account holder qualifies for a loan of up to 120% of the balance on the account after operating the account for a period of six (6) months.

The bank provides structured and unstructured credit facilities as follows:

1. Commercial Loans such as working capital loans, project loans, export development loans, construction loans among others.
2. Consumer credit facilities such as salaried workers loans scheme, welfare / rent advance loans scheme, vehicle ownership loan, mortgage financing among others
3. Small business credit facilities such as small business, sues groups and nontraditional exports.

Prudential Bank Limited provides fund management services to afford the public optimum returns on their cash resources. The bank is an authorized dealer of foreign exchange and a primary dealer for Government of Ghana treasury bills and Notes. Special arrangements are also in place at their branches to allow customers and non customers (non accountholders) to place investment request in treasury bills and fixed deposits. The bank also provides fee collection services, salary administration, dividend and bonuses administration, utility bills collection services.

### 3.7 Profile of the Study Area

The Kumasi Metropolis is centrally located in the Ashanti Region and its capital, Kumasi, is also the regional capital. The metropolitan area shares boundaries with Ware District to the north, Atria District to the west, Ejisu-Juaben District to the east and Bosomtwe-Atwima-Kwanwoma District to the south. The Kumasi metropolis has a total area of 299 square kilometers. The metropolis and its surrounding areas are supplied from two water sources, the Owabi and Barekese head works both of which were rehabilitated in 1999. The main distribution centre in the metropolis is Suame.

There is small-scale, medium scale and large scale industrial activities including pharmaceuticals and medical accessories, mechanical and electrical engineering works, logging and saw milling, alcoholic beverages and textiles, footwear, cosmetics, soap making, carpentry and joinery, foam and plastic, printing and stationery and metal works. Kumasi Metropolis is the second largest city in Ghana with all the telecommunication networks and the city has the highest mobile number subscriber penetration rate of about 80% in 2011 contrasted with national penetration rate of 50.5% for the same period (National communication Authority third quarter Report, 2011). The Kumasi Metropolitan Assembly constitutes the highest political authority in the metropolis. It provides guidance, gives directives and supervises all other administrative authority in the city. The Metro Assembly is divided into four Administrative Sub-Metro Council Areas. It has 24 Town Councils and 412 Unit

Committees made up of 87 members with 60 of them elected and 27 appointed by the state. A Metro Chief Executive who is the Mayor of Kumasi heads Kumasi Metropolitan Assembly. KMA can be described as a mega of investment opportunities. It has a number of peculiar and unique advantages which no other Region or City can boast of. With a population of economically active 2.2 million residents and the capital of the most populace Region in Ghana, KMA has a market the size which is enormous. The existence

of institutions of higher learning such as KNUST, Kumasi Polytechnic and others have made it the home some of most skilled and gifted workforce in Ghana.

It has a cultural heritage and entrepreneurial tradition that is unequalled in the country.

No wonder industrial giants like Coca Cola, Guinness Ghana Ltd, Neoplan Ghana Ltd and all the telecommunication networks have all made Kumasi a significant base for their operations. Guinness Ghana Ltd and Neoplan Ghana Ltd have both their factory and national headquarters in Kumasi and yet are the market leaders in their respective area of operations in the country. There is no doubt that KMA, and for that matter the Ashanti Region, constitute the very core of the cultural and tourism heartbeat of Ghana. The scenic and hilly capital of Kumasi has the following attractions that will make any discerning tourist heart jump with joy; Manhyia Palace, Cultural Centre Okomfo Anokye Sword Site, Fort St. George Museum, Kumasi Zoo Gardens, Suame Magazine, KNUST etc.

There are 330 kindergartens in Ole-metropolis of which 239 are privately owned. At the primary school level, the private sector has 269 schools, while the public sector has 179.

However, at the junior secondary school level, the public sector leads with 137 schools compared to the private sector's 84 schools. The metropolis has 30 second cycle

institutions, made up of senior secondary schools, commercial, technical and vocational institutions and training colleges. The metropolis also has several tertiary institutions including Kwame Nkrumah University of Science and Technology, Kumasi Polytechnic and Kumasi campus of the University College of Education. The metropolis has Okomfo Anokye Teaching Hospital, which is the Regional Hospital. There are four Urban Health Centres and three Specialized Health Centres. There are two government maternity homes and four privately run ones. Out of the 64 clinics, 60 are privately owned.

## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### 4.1 Introduction

This chapter presents the results and discussion on the perception of investors on mutual fund investment. This is discussed under the following headings: demographic characteristics of mutual fund investors, factors responsible for investing in mutual fund and factors responsible for not investing in mutual fund.

#### 4.2 Demographic Characteristics of Respondents

The following are the descriptions of the demographic characteristics of the sample population surveyed.

The sample population for the study was 65 respondents of which 43.1% were female and 56.9% were male as shown by Table 4.1. This shows male dominated respondents.

This is evidence of the dominance of males in most banking institutions in the country.

Banking has turned to be a stressful profession and most females at child bearing age find it difficult coping with the pressure of the job whilst meeting their household responsibilities of taking care of their husbands and children. As a result, most banking operational roles are dominated by males with the females handling mostly, customer service roles.

Table 4.1: Distribution for gender respondents

	Frequency	Percent
Female	28	43.1
Male	37	56.9
Total	65	100.0

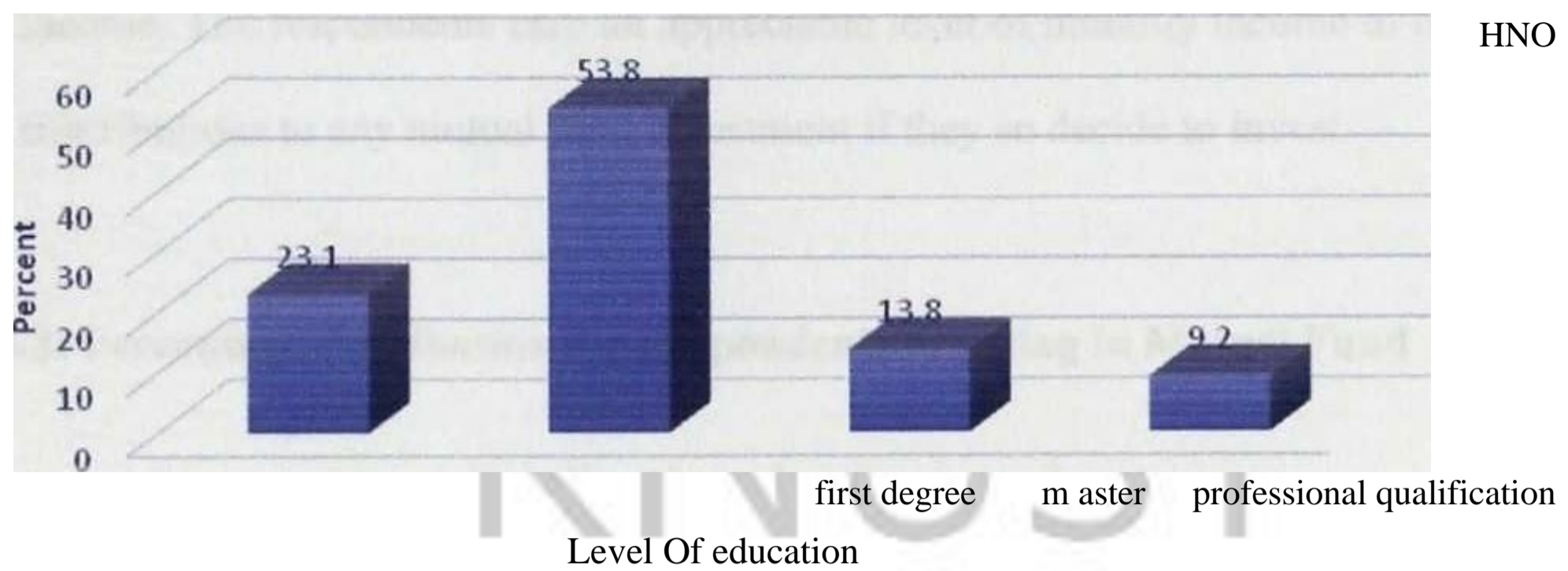
Source: Field data, 2013

The educational level of the respondents as shown in Figure 4.1 indicates that 53.8% of the respondents have first degree and 13.8% have masters' degree. The highest educational level of the respondents was professional qualification representing 9.2% of the sample population and respondents with the least educational level had I-IND representing 23.1% of the sample population.

This shows a category of respondents with appreciable analytical training. Again, these respondents are in a position to understand and analyze the operations and management of mutual fund and are in a better position to make inform decisions on their own as to whether to invest or not invest in mutual funds.

Figure 4.1: Percentage distribution for Educational level of Respondents

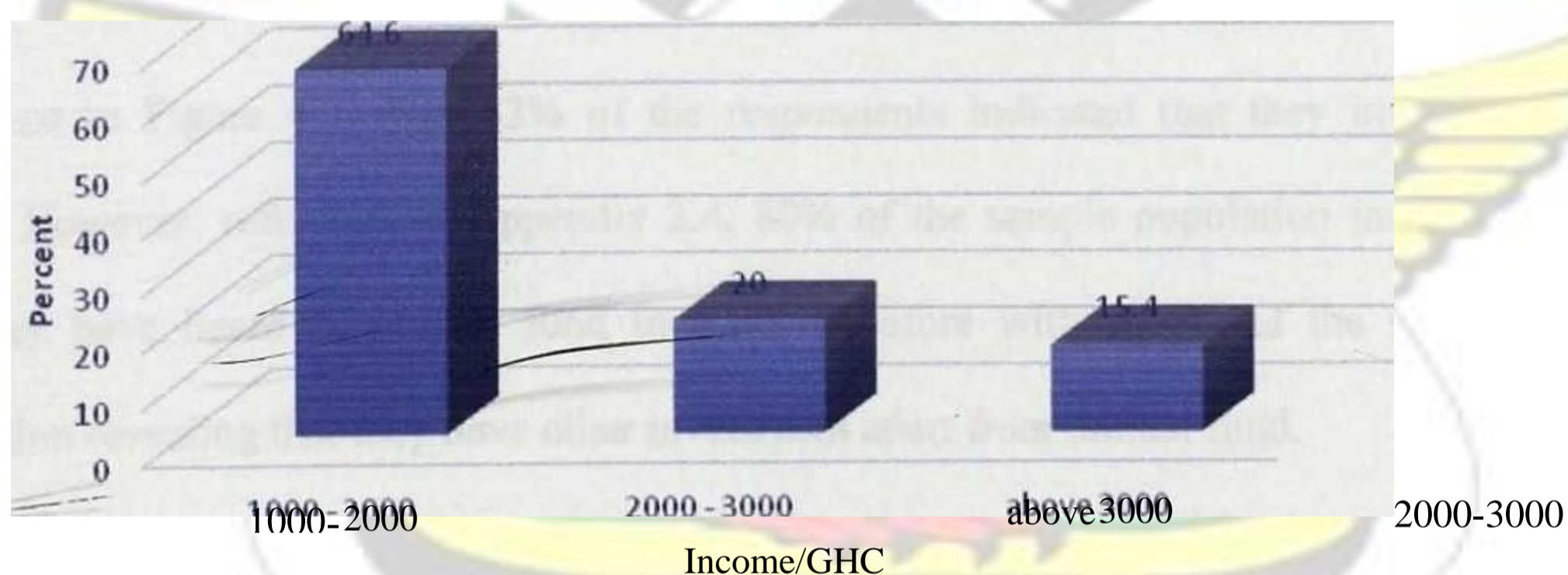
Percentage distribution for educational level of respondents



Source: Field data, 2013

Figure 4.2: Percentage distribution for Respondents' Monthly Income

### Percentage distribution for respondents' monthly Income

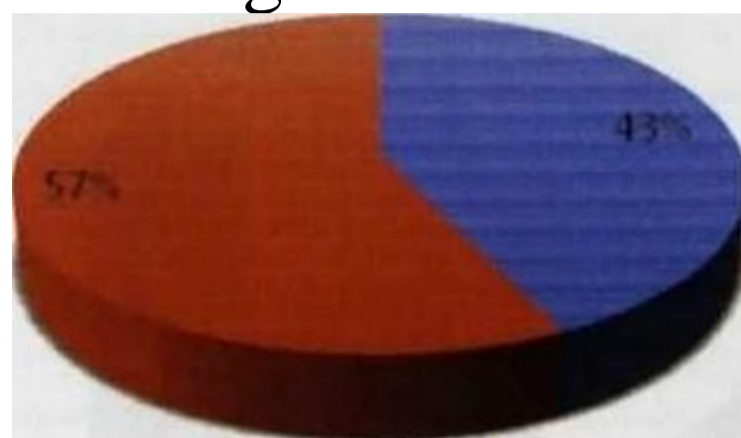


Source: Field data, 2013

As shown in Figure. 4.2, monthly income of respondents ranges from GH¢1,000 to GH¢3,000 and above. Respondents with monthly income between GH¢1,000 — GH¢2,000 were 64.6% of the sample population whilst 15.4% had above GH¢3,000 as monthly income. The respondents earn an appreciable level of monthly income to make monthly contributions to any mutual fund investment if they so decide to invest.

Figure 4.3: Percentage distribution for Respondents investing in Mutual Fund

### Percentage distribution for respondents investing in mutual fund



•yes •no

Source: Field data, 2013

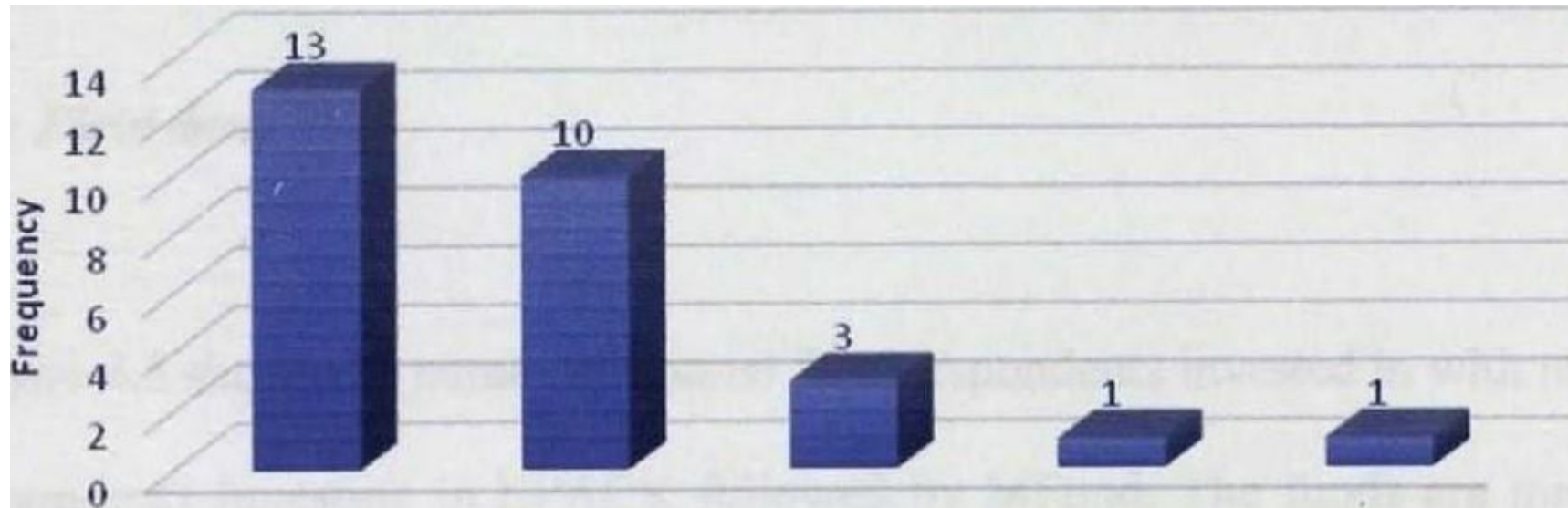
Reference to Figure 4.3, only 43% of the respondents indicated that they invest in mutual. However, reference to Appendix 2.4, 80% of the sample population indicated that they have heard—of mutual investment before with 75.4% of the sample population revealing that they have other investment apart from mutual fund.

These analyses show that although respondents have good educational background and also earn good monthly salary, many of the respondents were not interested in investing in mutual fund.

However, the respondents who indicated that they invest in mutual fund revealed that they mostly got to know about mutual fund from friends as shown by Figure. 4.4. This shows that mutual fund companies are not doing enough to have their trained and experienced staffs promote the advantages of the fund to prospective investors.

Figure 4.4: Frequency distribution for Respondents' Source of knowledge about Mutual Fund

# Frequency distribution for respondents' source of



knowledge about mutual fund

friends

MF agent School visitor  
newspapers

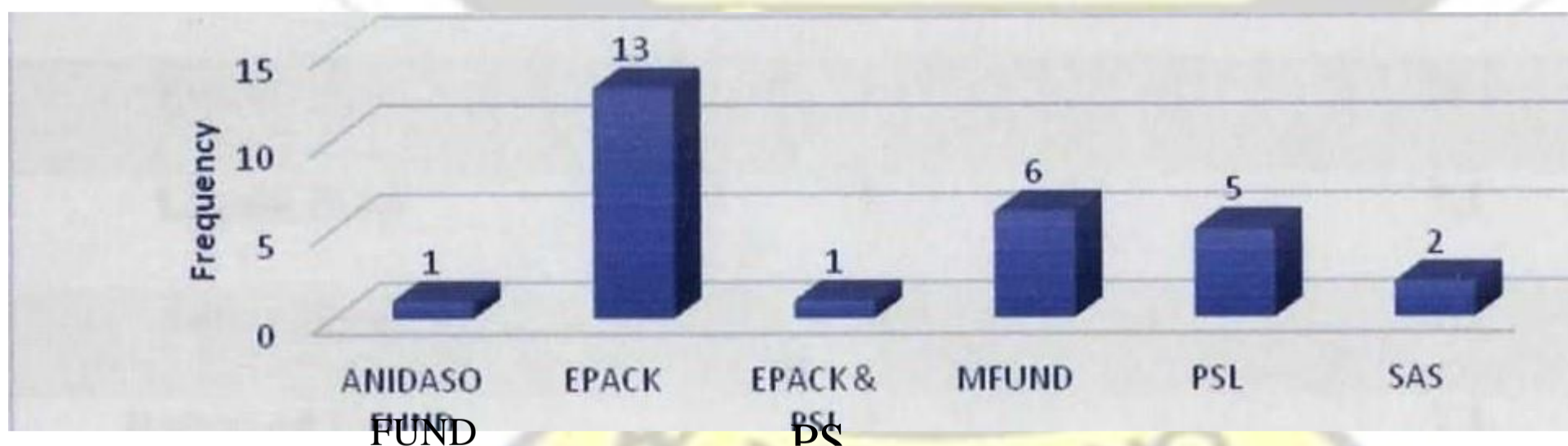
Educational

Source

Source: Field data, 2013

Figure 4.5: Frequency distribution for Mutual Fund respondents invest in

## Frequency distribution for mutual fund respondents invest in



Name of mutual

fund

Source: Field data, 2013

The Figure 4.5 shows the names of mutual fund respondents invested in with majority of the respondents investing in EPACK followed by MFund. The funds are managed by Databank Financial Services and are the most popular mutual funds in Ghana

From Table 4.2, out of the 28 of the respondents that invested in mutual fund, the type of mutual fund they invested in was distributed as follows: 28.6% of them invest in equity fund, 7.1% each invest in liquid fund, index fund and balanced fund. 3.6% of them indicated they invested in income-fund whilst 46.4% of them indicated that they do not know the type of fund they have invested in. It could be explained that because majority of the investor pointed out their main source of knowledge of mutual fund was from friends and not mutual fund agents, they were not properly explained to as the types of mutual funds available. The idea of mutual fund investment was just promoted to them without in-depth explanation.

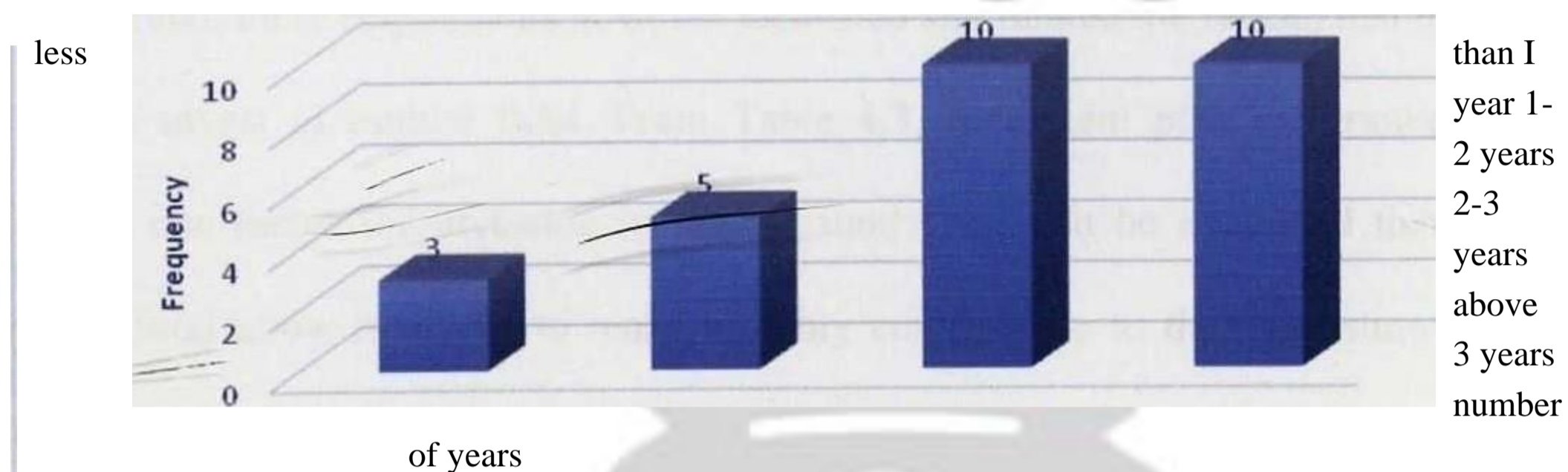
Table 4.2: Distribution for the Type of Fund Investors invest in

Name of fund	Frequency	Percentage
<b>Equity fund</b>	<b>8</b>	<b>28.6</b>
Liquid fund	2	7.1
<b>Index fund</b>	<b>2</b>	<b>7.1</b>
Balanced Fund	2	7.1
<b>Income fund</b>	<b>1</b>	<b>3.6</b>
I don't know	13	46.4
<b>Total</b>	<b>28</b>	<b>100</b>

Source: Field data, 2013

Figure 4.6: Frequency distribution for number of years respondents have been investing

### Frequency distribution for number of years respondents have been investing



Source: Field data, 2013

Figure 4.6 shows how long respondent have been investing in mutual fund. Majority of investors have invested from two years and above. It is therefore worrying that considering the number of years investors have been investing, 46.4% of investors, as shown in table 4.2 do not know the type of fund they have invested in.

### 4.3 Identification and Ranking of Factors Responsible for Investing of Mutual Fund

Table 4.3: Ranking of reasons for respondents investing in mutual fund

Factors	1	2	3	4	5	Rank
Affordability	1	8	7	5	7	3th
Safety	3	7	11	6	1	4th

Retirement plan	12	4	2	4	13	4	3	4
Liquidity	2	9	5	9	3	2nd		
Higher returns		91	2 <sup>nd</sup>	3		135th		

Source: Field data, 2013

Twenty-eight (28) respondents, that is, 43.1% of the sample population invested in mutual fund, these respondents however identified and ranked the factors that influenced them to invest in mutual fund. From Table 4.3, retirement plan was ranked as the

number one factor-for ~~for investing in mutual fund.~~ This can be explained that because mutual fund allow investors to make monthly contribution to their investment, young working class people with a lot of working years ahead of them can use it as a retirement plan.

Liquidity of mutual fund was ranked 2nd, by respondents as reason for investing in mutual fund. Because mutual fund, especially open-end fund buys back its investment from investors, it provides immediate and easy redemption of investment if an investors wishes to offload his or her investment.

Affordability ranked 3<sup>rd</sup> among investors reasons for investing in mutual fund. Investors of mutual fund can start investing with as low as GH¢10.00 and even make monthly contributions of GH¢10.00 to their investment. This therefore makes mutual fund affordable for the average Ghanaian.

Safety was ranked 4<sup>th</sup> among the factors influencing investors investing in mutual fund. Mutual fund is considered as a safe investment because the fund invests in a diversified portfolio of investments. When the price of the shares of a company is falling it is compensated by an increase in the price of shares of other companies in the investment portfolio. As a result, diversification reinstates the investor back to his or her original position

Higher returns was ranked 5<sup>th</sup> among the factors for investing in mutual fund by investors. Investment returns from mutual fund are not as from investments returns from stocks. This is because the risk is low-compared to that of stocks and as a result, stock investors require higher returns to compensate them for the risk taken. It must however, be stated that mutual fund that invest in stock and bond funds provide higher returns.

#### 4.4: Identification and Ranking of Factors Responsible for not investing in Mutual Fund

Table 4.4: Ranking of reasons for respondents NOT investing in mutual fund

Factors	1	2	3	4	5	Rank
Risky	8	6	4	9	10	5
Lack of knowledge	3	12	7	5	12	2
Lack of funds	6	7	10	9	5	4

Afraid of scams 9 12 10 6 3 Prefer other 19 4 4 4 6 1

investment

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Source: Field data, 2013

The research identified 37 out of the 65 respondents not investing in any mutual fund as shown by Table 4.4. These respondents identified and ranked reasons for not investing in mutual fund. Respondents, been 51.4% ranked preference for other investment as the number I reason for not investing in mutual fund. Currently, T. bill is offering moderate returns on investment and as such most mutual fund companies are investing in T. bill. Therefore, investors-save ~~from been levied~~ with management charges by investing directly in T. bills on their own.

Lack of knowledge was identified and ranked 2nd by 12 respondents (32.4%) as a reason for not investing in mutual fund. Education and awareness of mutual fund have not been as expect. This therefore accounts for this rating by investors.

Other reasons for respondents not investing in mutual fund were; afraid of scams, lack of funds and risky nature of mutual funds and were ranked 3rd, 4th and 5th respectively.

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## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of findings to the research questions as well as recommendations and conclusion. The research was to study investors' perception toward mutual fund investment with a special focus on staff members of Prudential Bank Limited in the Kumasi Metropolis in the Ashanti Region of Ghana.

#### 5.2 Summary of Findings

##### 5.2.1 Demographic Characteristics of Mutual Fund Investors

Analysis of the gender of the respondents revealed male dominated respondents. This would usually be the case in most Ghanaian organizations in other cities as males tend to take calculated risk and strive to greater financial success to be able to cater for their family needs as a result, they tend to invest more compared to females

The analysis of the questionnaires revealed that most the respondents have first degree. Hence, the respondents have good educational background to make investment decisions.

It was again revealed that most of the respondents earn a monthly income between GHS 1000 - GHS 2000 representing the average working class person in a good position to

make regular monthly contributions toward a mutual fund investment. It must also be emphasized that 15.4% of the respondents had monthly income levels above GH¢3,000

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### 5.2.2 Respondents with Mutual Fund Investment

Although majority of the respondents indicated that they have heard of mutual fund investment before, only 28 of the respondents have investment in mutual fund. Meanwhile, majority of mutual fund investors indicated they do not know the type of fund scheme their mutual fund investments are held. This revealed that these investors only have casual and not in-depth knowledge about mutual fund investment. However, most of these investors have had mutual fund investment for more than two years.

### 5.2.3 Respondents with no Mutual Fund Investment

Majority of the respondents indicated that they do not have any mutual fund investment. Meanwhile, majority of the respondents indicated that they have heard of mutual fund investment before. This therefore suggests that this category of investors prefer other forms of investment to mutual fund investment.

Respondents who do not have investments in mutual fund ranked preference to other forms of investments as their top most reason for not investing in mutual fund. The second ranked factor for not investing in mutual fund was lack of knowledge followed by fear of scams, lack of funds and risk ranked 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> respectively.

## 5.3 Recommendations

Following the findings of this study, the researcher makes the recommendations below:

Mutual fund companies must create the necessary awareness on mutual fund by agents of the mutual fund companies. This will afford prospective investors the opportunity of been properly educated on mutual fund investments and their associated benefits.

Mutual fund companies must develop various pension plan schemes to attract young working class people who have a lot of working years ahead of them

Investors must be regularly updated and educated on the type of mutual fund scheme their monies are invested in. Also, other schemes available to investors must be communicated to them with appropriate explanation to enable them make contributions in the direction of their investments.

#### 5.4 Conclusion

In this study, the researcher seeks to investigate investors' perception on mutual fund investment. However, to be more specific the study seeks to achieve the above stated objective through the following sub-objectives: identify the factors for investing in mutual fund, identify investors' level of knowledge on the type of fund scheme their mutual fund investments are held, identify investors main source of knowledge of mutual fund and factors responsible for not investing in mutual fund.

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In conclusion, most investors with the financial means and educational knowledge to invest in mutual prefer other forms of investment to mutual. Again, among mutual fund investors, majority of them do not know the type of fund their monies are invested in.

This is not surprising because most of the investors ranked friends as their main source of knowledge on mutual fund. Lastly, most of the respondents who do not hold mutual fund investment indicated that they prefer other forms of investment to mutual fund.

### 5.5 Suggestion for Future Studies

Future research can be extended to other banks and non-bank financial institutions to study the perception of other investors and also study the level of investors' awareness of mutual fund investment and its related benefits.



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## DETAILS

1) Monthly Income Level::

GHØ1,000 - GHØ2,000

GH¢2,000 - GHØ3,000  above GHØ3,000

2) Have you heard about mutual fund before?

Yes

No

3) Do you have any investment apart from mutual fund ( eg T-bill, Fixed Deposit)

Yes

No

4) Have you invested in any Mutual Fund (eg EPACK, MFUND, PSL-PPP)?  Yes

No If no, please go to question (14)

5) What is the name of the mutual fund you have invested in?

.....

6) What is the value of your investment?

below GH¢2,000

GHØ2,000 - GH¢3,000

above GHØ3,000

7) What type of fund have you invested in:

Equity Fund

Debt Fund

Liquid Fund

Index Fund

Asset Fund

Balanced Fund

Income Fund

Open ended

Closed ended fund

I don't know.

8) How did you come to know about this mutual fund?

Friends

Relatives

MF agent

Newspapers

Others, please mention .....

9) How long have u been investing

Less than 1 year

1 - 2 years  2 - 3 years

above 3 years

10) Which option of returns do you prefer for your investment?

Dividend

accumulated earnings

11) Do you receive regular update on the performance on your mutual fund investment?

Yes

No

12) What are the reasons for investing in mutual fund? Please rank the following from 1 to 5 (1 for the most preferred to 5 the least preferred) (Go to question 15 after answering)

Affordability

Safety

Retirement Plan

Liquidity

Higher Returns

13) What are the reasons for NOT investing in mutual fund? Please rank the following from I —5 (1 for the most preferred to 5 the least preferred)

\_\_\_\_\_ Risky

\_\_\_\_\_ Lack of Knowledge

Lack of funds

\_\_\_\_\_ Afraid of scams

Prefers other investments (shares, bonds, T. Bill, FDR)

14) Any other opinion about mutual fund investments?

.....

.....

APPENDIX 2

Frequency Table

Appendix 2.1 gender

	Frequency	Percent	Valid Percent	
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					Cumulative Percent
Valid	female	28	43.1		
	male	37	56.9	43.1	43.1
	Total	65	100.0	56.9	100.0
				100.0	

Appendix 2.2 educational level of respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	HND	15	23.1	23.1	23.1
	first degree	35	53.8	53.8	76.9
	Master professional qualification	9	13.8	13.8	90.8
	Total	65	100.0	100.0	100.0

Appendix 2.3 monthly Income level/(GHC)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1000 - 2000	42	64.6	64.6	64.6
	2000 - 3000	13	20.0	20.0	84.6
	above 3000	10	15.4	15.4	100.0
	Total	65	100.0	100.0	

Appendix 2.4 Have you heard about mutual fund before?

	Frequency	Percent	Valid Percent	Cumulative Percent
--	-----------	---------	---------------	-----------------------

Valid	yes	52	80.0	80.0	80.0
	no	13	20.0	20.0	100.0
	Total	65	100.0	100.0	

Appendix 2.5: do you have any investment apart from mutual fund?

		Frequency	Percent	Valid Percent	Cumulative Percent
	yes	49	75.4	75.4	75.4
Valid	no	16	24.6	24.6	100.0
	Total	65	100.0	100.0	



XUMhS1-GBANA

Appendix 2.6: Have you invested in any mutual fund(eg EPACK,MFUND,PSL-PPP)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	28	43.1	43.1	43.1
	no	37	56.9	56.9	100.0
	Total	65	100.0	100.0	

Appendix 2.7: What is the name of the mutual fund you have invested in?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	37	56.9	56.9	56.9
ANIDASO FUND	1	1.5	1.5	58.5
EPACK	13	20.0	20.0	78.5
EPACK,PSL	1	1.5	1.5	80.0
MFUND	6	9.2	9.2	89.2
PSL	5	7.7	7.7	96.9
SAS	2	3.1	3.1	100.0
Total	65	100.0	100.0	

Appendix 2.8: What is the value of your investment/(GHC)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	37	56.9	56.9	56.9
below 2000	9	13.8	13.8	70.8
2000-3000	6	9.2	9.2	80.0
above 3000	13	20.0	20.0	100.0
Total	65	100.0	100.0	

Appendix 2.9 What type of fund have you invested in?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	37	56.9	56.9	56.9
equity fund	8	12.3	12.3	69.2
liquid fund	2	3.1	3.1	72.3
index fund	2	3.1	3.1	75.4
balance fund	2	3.1	3.1	78.5
income fund	1	1.5	1.5	80.0
i dont know	13	20.0	20.0	100.0
Total	65	100.0	100.0	



Appendix 2.10:

How did you come to know about this mutual fund?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	37	56.9	56.9	56.9
Friends	13	20.0	20.0	76.9
IMF agent	10	15.4	15.4	92.3
Newspapers	3	4.6	4.6	96.9
Educational visitor	1	1.5	1.5	98.5
School	1	1.5	1.5	100.0
Total	65	100.0	100.0	

Appendix 2.11: How long have you been investing?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	37	56.9	56.9	56.9
less than 1 year	3	4.6	4.6	61.5
1- 2 years	5	7.7	7.7	69.2
2-3 years	10	15.4	15.4	84.6
above 3 years	10	15.4	15.4	100.0
Total	65	100.0	100.0	

Which option of returns do you refer for your investment?

	Frequency

Appendix 2.10:

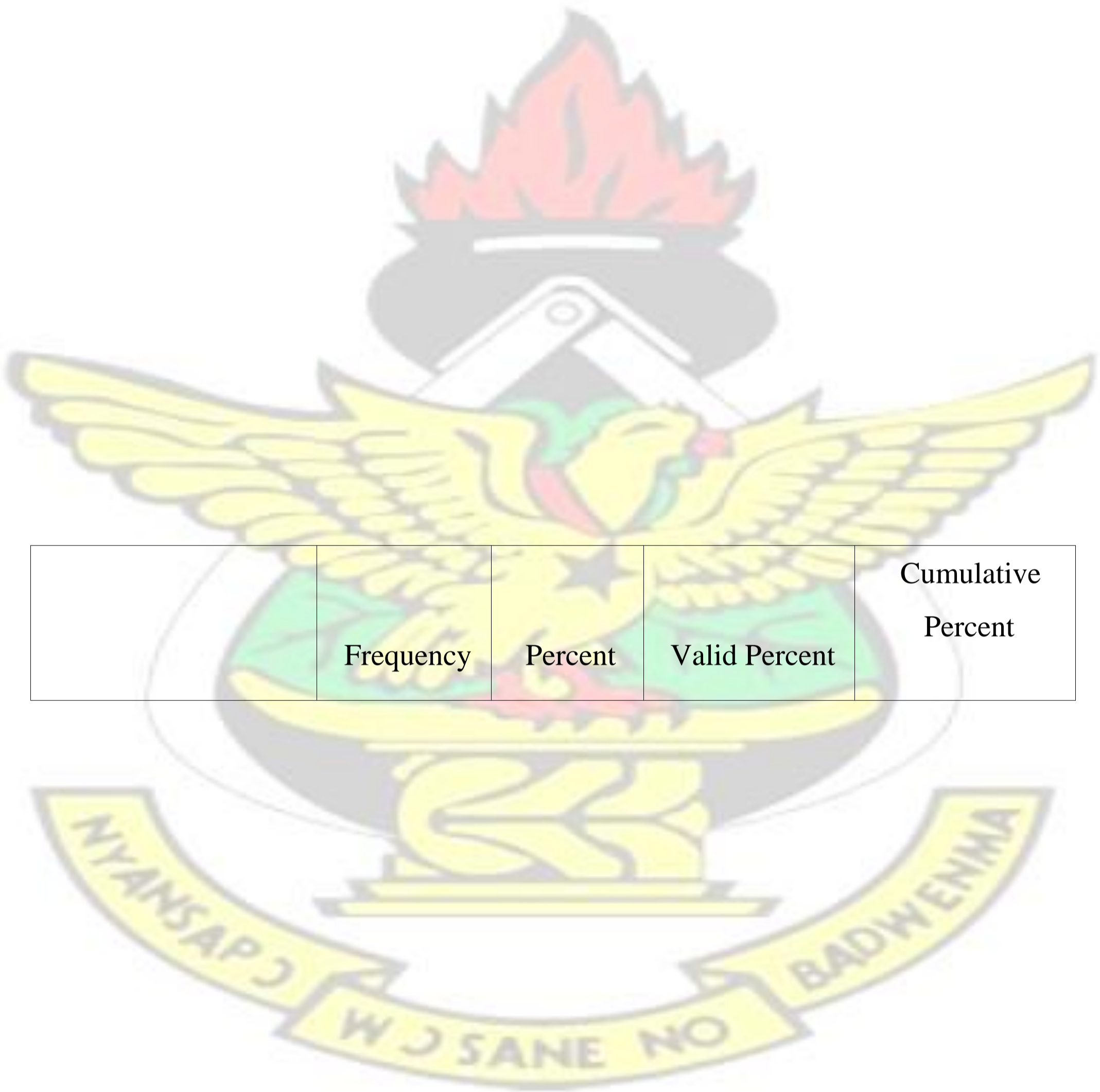
		Percent	Valid Percent	Cumulative Percent
Valid		37		
		1	56.9	56.9
Dividend		27	1.5	58.5
accumulated earnings		65	41.5	100.0
Total			100.0	100.0

Appendix 2.13: Do you receive annual report on the performance on your mutual fund investment?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	37	56.9	56.9	56.9
	20	30.8	30.8	87.7
Yes	8	12.3	12.3	100.0
No	65	100.0	100.0	
Total				

Appendix 2.14: What are the reasons for investing in

# KNUST



	Frequency	Percent	Valid Percent	Cumulative Percent
--	-----------	---------	---------------	--------------------

Appendix 2.10:

Valid	1	3	4.6	10.7	10.7
	2	7	10.8	25.0	35.7
	3	11	16.9	39.3	75.0
	4	6	9.2	21.4	96.4
	5	1	1.5	3.6	100.0
	Total	28	43.1	100.0	
Missing	System	37	56.9		
Total		65	100.0		

mutual fund

(affordability)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	1.5	3.6	
	2	8	12.3	28.6	3.6
	3	7	10.8	25.0	32.1
	4	5	7.7	17.9	57.1
	5	7	10.8	25.0	75.0
	Total	28	43.1	100.0	100.0
Missing	System	37	56.9		
Total		65	100.0		

Appendix 2.14: What are the reasons for investing in  
Appendix 2.15: What are the reasons for investing in mutual fund  
(safety)?

# KNUST



Appendix 2.14: What are the reasons for investing in mutual fund (retirement plan)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	13			
	2	4	20.0	14.3	60.7
	3	3	6.2	10.7	71.4
	4	4	4.6	14.3	85.7
	5	4	6.2	14.3	100.0
	Total	28	6.2	100.0	
Missing	System	37	43.1		
Total		65	56.9		
			100.0		

Appendix 2.17: What are the reasons for investing in mutual fund (liquidity)?

	Frequency	Percent	Valid Percent	Cumulative Percent

Appendix 2.14: What are the reasons for investing in

Valid	1	2	3.1	7.1	7.1
	2	9	13.8	32.1	39.3
	3	5	7.7	17.9	57.1
	4	9	13.8	32.1	89.3
	5	3	4.6	10.7	100.0
	Total	28	43.1	100.0	
Missing	System	37	56.9		
Total		65	100.0		

	Frequency	Percent	Valid Percent	Cumulative Percent
--	-----------	---------	---------------	--------------------

Appendix 2.20: What are the reasons for

Valid	1	8	12.3	21.6	21.6
	2	6	9.2	16.2	37.8
	3	4	6.2	10.8	48.6
	4	9	13.8	24.3	73.0
	5	10	15.4	27.0	100.0
	-	37	56.9	100.0	
	Total	28	43.1		
Missing	System	65	100.0		
Total					

mutual fund (higher returns)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	9	13.8	32.1	
	3	1	1.5	3.6	32.1
	4	2	3.1	7.1	35.7
	5	3	4.6	10.7	42.9
	Total	13	20.0	46.4	53.6
	System	28	43.1	100.0	100.0
Missing		37	56.9		
Total		65	100.0		

Appendix 2.19: What are the reasons for NOT investing in mutual fund (risky)?

Appendix 2.14: What are the reasons for investing in  
NOT investing in mutual fund (lack  
of knowledge)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	3	4.6	8.1	8.1
	2	12	18.5	32.4	40.5
	3	7	10.8	18.9	59.5
	4	5	7.7	13.5	73.0
	5	10	15.4	27.0	100.0
	Total	37	56.9	100.0	
Missing	System	28	43.1		
Total		65	100.0		

Appendix 2.21: What are the reasons for NOT investing in mutual fund (lack  
of funds)?

	Frequency	Percent	Valid Percent	Cumulative Percent

Appendix 2.20: What are the reasons for

Valid	1	6	9.2	16.2	16.2
	2	7	10.8	18.9	35.1
	3	10	15.4	27.0	62.2
	4	9	13.8	24.3	86.5
	5	5	7.7	13.5	100.0
	Total		56.9	100.0	
Missing	System	28	43.1		
Total		65	100.0		



2.22:

NOT investing in mutual fund (afraid of scams)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	9	13.8		
	3	12	18.5	24.3	24.3
	4	10	15.4	32.4	56.8
	5	6	9.2	27.0	83.8
	Total System	37	56.9	16.2	100.0
Missing Total		28	43.1	100.0	
		65	100.0		

Appendix 2.23: What are the reasons for NOT investing in mutual fund (prefer other investment)?

		Frequency	Percent	Valid Percent	Cumulative Percent
valid	1	19	29.2	51.4	51.4
	2	4	6.2	10.8	62.2
	3	4	6.2	10.8	73.0
	4	4	6.2	10.8	83.8
	5	6	9.2	16.2	100.0
Missing Total	Total System	37	56.9	100.0	
		28	43.1		
		65	100.0		

Appendix 2.24: Any other opinion about mutual fund investment?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	60	92.3	92.3	92.3
I didnt earn anything on the investment after i saved for over two years i have not regreted investing in mutual fund	1	1.5	1.5	93.8
its better putting your money in a svaings account not enough knowledge about it	1	1.5	1.5	96.9
Total	2	3.1	3.1	100.0
	65	100.0	100.0	

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Frequencies

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Statistics

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