



REVIEW OF RESEARCH



A STUDY OF INVESTOR'S BEHAVIOUR AND PERCEPTION TOWARDS MUTUAL FUND INVESTMENTS



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ABSTRACT:

In Financial market investments are two types. One is direct investments and other is indirect investments. Direct investments directly goes to stock market and an indirect investment goes mutual funds. Mutual fund industry collecting large number of funds from investors. This paper tries to see the investor's behavior and perception towards mutual fund investments. The paper is focusing on various aspects which include investment objectives, factors influencing investments decisions, sources of information, benefits realized, problems faced, opinion towards mutual fund industry, etc. The researcher found main findings like:-

It can be inferred that investors gives more priority to liquidity of their funds, so that they can withdraw the same as and when required. Majority investors are investing in open-ended schemes. Majority investors are receiving information from Brokers and friends.

KEYWORDS : SEBI, CCI, BSE, NSE, FII,

INTRODUCTION:

Investing in the money in any type of financial security is one of the most critical and difficult decisions for any individual investor. This is because investing funds involves huge amount of risk, difficulty in understanding technical concepts, detail analysis and systematic procedure required to be followed. The success or failure of any such decisions purely depends on number of factors. These factors include adequate knowledge, experience and skills of investor to invest the right volume of funds, in right types of assets and at right time. Investing funds in equity stocks involves both, huge amount of risk as well as substantial returns. However, investing funds in borrowed funds (i.e. debentures and bonds) and in bank deposits are characterized by lesser risk and thus, lower returns. In order to overcome these two extreme situations, mutual fund investments were developed. Mutual fund investments are professionally managed and comparatively generate higher returns with lower risk involved.

Mutual fund industry in India is more than five decades older. Today, this domestic industry is highly organized and more accessible to all types of investors with different investment objectives and different investment needs. The following research study is undertaken based on primary data with the prime

objective of understanding investment behavior and identifying preferences and attitudes of individual investors towards financial investments in general and investments in mutual fund units in particular.

Concept of Mutual Funds:

Mutual funds are a special type of institution which acts as an investment tool. Mutual fund is based on the concept of 'pooling together' of funds. ***A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal.***¹

REVIEW OF LITERATURE

Several research studies pertaining to the different aspects of the mutual fund investments have been conducted in India. In the following lines , an attempt is made to present a brief survey of research of this type conducted by the researchers in the recent past.

- A. Priyanka Sharma and Payal Agrawal²(2015) in their study made an attempt to understand the effect of demographic factors in mutual fund investment decisions. The study reveals that the investors' perception is dependent on their demographic profile. Investor's age, marital status and occupation has a direct impact on investors' choice of investment. The study further reveals that the female segment is not fully tapped. The research also reveals that the liquidity and transparency are some factors which have a high impact on investment decisions.
- B. SimranSaini and BimalAnjum³(2011) had analyses the mutual fund investments in relation to investor's behavior that attract them to invest in mutual funds. Investor's opinion and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the mutual fund industry etc.
- C. R. Vasudevan & Peermohaideen⁴(2012) The study aimed to understand and analyze investor's perception of such risk and expectation associated with specific mutual fund. The research also revealed that investors perceive risk as under performance as risk and return in mutual fund investment are medium and not so satisfactory.
- D. Vipin Kumar &Preeti Bansal⁵(2014) this research paper has focused attention on various parameters that highlights investor's perception on mutual funds. It was studied that the scheme of mutual fund investment were not known to many of the investors as still the investors rely upon the traditional pattern of investments like investment in banks and investment in postal savings. As most of the mutual fund investors used to invest in mutual fund for not more than three years and used to quit from the fund as they were not giving desired result as stated in the objective during inception of mutual fund scheme. It was also found from the research that maximum number of mutual fund investor's has to depend upon their brokers and agent to invest in mutual fund.
- E. Mukesh. H. V.11⁶ (2015) had studied investor's perception on mutual fund for return, tax benefit and capital appreciation, but most of the investors lack awareness about mutual funds and their various schemes like, SIP (Systematic Investment Plan). Hence, it becomes necessary to create awareness among the investors through conducting seminars, workshops on financial market and published data like newspaper, magazines and journals.
- F. Preeti Khitoliya⁷ (2014) examined through her research that majority of the respondents in the age of 35-44 wish to invest in mutual fund having moderate risk which ensures wealth maximization followed by balanced fund and income funds. Similar results have been seen in the age group of 25-34. But a reverse trend were seen in the age group of 45 above where majority is risk averse as they wish to invest in mutual fund schemes which guarantees safety of principal amount followed by balanced fund and growth fund .

- G. Singh and Jha⁸ (2009) conducted a study on awareness and acceptability of mutual fund and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not fully aware about the systematic investment plan.
- H. In this respect V Rathnamani⁹ (2013) concluded in her research that many investors prefer to invest in mutual fund in order to gain high gain at low level of risk, safety and liquidity.

RESEARCH METHODOLOGY

Following section attempts to study behaviors and perceptions of the individual investors towards mutual fund investments in particular.

A] Objectives of Research:

- 1) To study behavior, attitude and perception of individual investors towards investment in mutual funds.
- 2) To study the impact of investors' profile on selection of different mutual fund schemes.
- 3) To study factors influencing choice of investment in mutual funds by individual investors.

B] Scope of Research:

This section is based on opinion field survey of 100 respondents who were selected from Ahmednagar. This survey is carried out in order to study the perception, attitude and behavior of individual investors towards investments in financial avenues in general and investments in mutual funds in particular. The survey covers various aspects which include investment objectives, factors influencing investments decisions, sources of information, benefits realized, problems faced, opinion towards mutual fund industry, etc.

C] Hypothesis of Study: The main hypotheses are as under:-

1. Investment in Mutual funds is the best alternative to the investors.
2. Investing in Mutual Funds is less risky as compared to Shares.
3. Mutual Funds are more suitable to small investors who are hesitant of entering into capital market.

D] Methodology of Study:

Research Methodology used for present study is both, exploratory as well as descriptive.

1. Primary Data Sources:- Primary data is collected from Individual Investors situated in city of Ahmednagar. Primary data is also collected from various mutual fund advisors and brokers who are also investing in different mutual fund schemes.

2. Secondary Data Sources:- Secondary data is collected from various sources like Reports and Database of AMFI, SEBI, RBI, Government Departments, Units and Organizations, Newspapers, Magazines, Books, Research Journals, Internet, etc.

3. Sampling Size: - Total Sample Size determined for present research is **100 individual investors in mutual funds from Ahmednagar, Maharashtra.**

4. Sampling Method: - A '*Proportionate Stratified Random Sampling Method*' is used in order to draw a representative sample from population. It is one of the types of Probability Sampling Method.

E] Limitations of Study:

- I. Survey studies investors' preferences, attitude, and behavior and investment pattern for the period of eight months, i.e. from July 2018 to February 2019.
- II. Although adequate care has been taken to make questionnaire easy to understand, it is possible that there may be some respondents who may not have clearly understood certain questions.

- III. Brokerage commission, entry load, exit load and taxes were not considered in present study.
- IV. Present study does not cover impact of mergers and takeovers of the selected sample schemes.
- V. Schedule used for study is drafted in English only, which is not a regional / local language.

DATA ANALYSIS AND DISCUSSION

1. Investor's Experience.

A Schedule was prepared and used to collect following primary data from individuals investing in different mutual fund schemes. Data collected from individual investors is analyzed as under:

Table .1:- Table showing Investors' Experience in the field of Mutual Fund Investments

Experience in Mutual Fund Investments	Number of Respondents	Percentage
Less than 5 years	46	46
6 to 10 years	40	40
11 to 15 years	11	11
Above 15 years	3	3
Total Respondents	100	100

Interpretation:

The table and graph above highlights experience of investors investing in different mutual fund units. It can be seen that about 46% of respondents are investing in mutual funds for a period of less than 5 years. Around 2/5th (40%) of respondents invested in mutual funds for a period between 6 to 10 years. In aggregate, it can be inferred that about 86% of total respondents are investing in various mutual fund for period less than 10 years. Proportion of investors investing in mutual funds from 11 to 15 years is 11%. Finally, very negligible proportion (i.e. 3%) of the respondents admitted that they are investing in mutual funds from more than past 15 years.

2. Annual Income of Investors invested in Mutual Funds.

Table .2:- Table showing Proportion of Annual Income of Investors invested in Mutual Funds

% of Annual Income invested in Mutual Funds	Number of Respondents	Percentage
Less than 1%	04	04
1% to 5%	67	67
6% to 10%	21	21
Above 10%	8	8
Total Respondents	100	100

Interpretation:

The above table and chart shows proportion of annual income of investors that is invested in mutual funds. About 67% of the respondents confessed that they invest between 1 to 5% of their annual income in mutual funds every year. About 21 number of investors accepted of investing between 6 to 10% of income per annum in mutual fund schemes. Finally, very marginal proportion of investors (less than 5%) agreed of investing lesser than 1% of their annual income in mutual fund units.

3. Time Period Preferred by Investors to invest in Mutual Funds.

Table .3:-Table showing Time Period Preferred by Investors to invest in Mutual Funds

Preferred Time Period	Number of Respondents	Percent age
Less than 3 years	09	09
3 to 6 years	38	38
6 to 10 years	49	49
More than 10 years	04	04
Total Respondents	100	100

Interpretation:

From the above table, it can be observed that almost half of the investors (49) prefer to invest in mutual funds for a period of six to ten years. Whereas, about (38) investors desires to invest in mutual funds for more than three years, but less than six years. Nearly, 9% of respondents prefer to invest in mutual funds for tenure of less than three years. Very marginal proportion of respondents (less than 5%) admitted to invest in mutual funds for a period of more than 10 years.

4. Regularity in checking Performance and Updates on Mutual Fund Investments.

Table .4:-Table showing Regularity in checking Performance and Updates on Mutual Fund Investments

Time Interval / Gap	Number of Respondents	Percentage
Monthly	47	47
Quarterly	34	34
Half Yearly	09	09
Yearly	06	06
Once in a while	04	04
Total Respondents	100	100

Interpretation:

The above table and chart highlights regularity and promptness of investors in checking returns, valuations, updates, etc on their mutual fund investments. It can be inferred that under half of respondents (47%) agreed that they check performances and updates of their mutual fund investments on a monthly basis. On the other hand, 1/3rd of investors review their mutual fund investments on quarterly basis. **Less than 10%** of respondents accepted to review and check their investments on half yearly basis. Very low percentage of respondents confirmed checking performances and updates on mutual funds either **yearly or once in a while** (6% and 4% respectively).

5. Investors' Order of Preferences towards various Mutual Fund Schemes:

Depending on investment objectives, maturity period of scheme and returns to be generated on investments, the mutual fund schemes are classified into different types. Based on individual profiles and characteristics, investors have varied preference for different types of schemes. Based on investors' understanding, their awareness, investment experience and insight in mutual fund investments, these preferences differ from individual to individual. The table below highlights this likings and preferences of investors for various mutual fund schemes.

Table .5:- Table showing Order of Preference of Investors for Mutual Fund Schemes on basis of Investment of Funds

Schemes (Objective)	Order of Preference of Respondents			Total Score	Average Score	Rank
	Rank I	Rank II	Rank III			
Equity (Growth)	64	30	6	258	2.58	I
Debt (Income)	15	27	58	157	1.57	III
Balanced	24	26	50	174	1.74	II

Example of Weight Average for Equity (Growth) Schemes:

$$\frac{(64 \times 3 + 30 \times 2 + 6 \times 1)}{100} = \frac{258}{100} = 2.58$$

Interpretation:

The above table shows investors' priorities and preferences towards mutual fund schemes classified on the basis of investment of funds. The average score and respective rankings for all three i.e. Equity, Debt and Balanced mutual fund schemes have been calculated. It can be observed that Equity (Growth) funds had highest preference for investment by the investors with an average score of **2.58**, Whereas Balanced funds which invest partly in equity stocks and partly in debt securities have an average score calculated as **1.74**. Such schemes have combine objective of earning regular income along with capital appreciation. Comparatively, least preference is given to Debt (Income) funds which had score of **1.57**. Debt funds invest money in borrowed instruments including debentures, bonds and other government securities. In comparison with Debt and Balanced schemes, Equity funds bear a higher degree of risk and hence, they generate more returns. Thus, investors covered under present study desired to accept this risk and invest in equity funds in expectation of better and higher returns.

6. Order of Preference of Investors for Mutual .Fund Schemes on basis of Maturity Period**Table .6:- Table showing Order of Preference of Investors for Mutual .Fund Schemes on basis of Maturity Period**

Maturity Period of Scheme	Order of Preference of Respondents		Total Score	Average Score	Rank
	Rank I	Rank II			
Open Ended Fund	85	15	185	1.85	I
Close Ended Fund	15	85	115	1.15	II

Example of Weight Average for Open Ended Fund:

$$\frac{(85 \times 2 + 15 \times 1)}{100} = \frac{185}{100} = 1.85$$

Interpretation:

Above table illustrates average score and ranking of investors' preferences of mutual fund schemes classified on basis of its maturity period. The respondents clearly preferred to invest their money in Open Ended schemes as the average score calculated is **1.85**. In Open Ended funds, investors can start investing money as well as redeem back their money at any point of time. As there is no fixed lock-in period in Open Ended schemes, investors are allowed to enter and exit anytime according to their convenience. Followed by Open Ended schemes, investors preferred to invest in Close Ended schemes with an average score of **1.15**. These schemes have fixed maturity period and does not allow investors to enter and exit from their investments as per their requirements.

7. Various Sources of Information about Mutual Fund Investors.

Table .7:- Table showing various Sources of Information about Mutual Fund Investors

Sources of Information to Mutual Fund Investors	Number of Respondents	Percentage
Brokers / Agents	32	32
Prospectus	5	5
Annual Reports	4	4
Friends & Relatives	29	29
Media	30	30

Interpretation:

Above table and chart shows that 32% of investors get information from brokers/Agents. Whereas 29% of investors depend on information gathered from Friends/Relatives. Some investors collect information from media like TV, internet, Advertisements. Very rarely investors (4%-5%) depend on information they get from Prospectus and Annual reports.

8. Various Benefits to Investors for investing in Mutual Fund Schemes.

Table.8:- Table showing various Benefits to Investors for investing in Mutual Fund Schemes

Benefits of Investing in Mutual Fund Schemes	Number of Respondents	Percentage
Tax Shelter / Benefits	14	14
High Yielding	10	10
Convenience in Investment	20	20
Innovation in Schemes	3	3
Professional Management	35	35
Higher Profitability	18	18

Interpretation:

Above table and chart highlights agreement of respondents towards various advantages offered by mutual funds. More than 35% respondents admitted that mutual fund schemes are professionally managed by qualified and experienced personnel. Some investors enjoy the benefit of convenient to invest in mutual (20), while others in Tax benefit (14), Higher return/ profitability (18). Very least number of investors (3) enjoys the benefit of having innovation in schemes they investing.

9. Whether Investors experiences problems while investing in Mutual Funds.

Table.9.1:-Table showing whether Investors experiences problems while investing in Mutual Funds

Problems Faced	Number of Respondents	Percentage
Yes	77	77
No	23	23
Total Respondents	100	100

Table 9.2:-Table showing different problems faced by Investors while investing in Mutual Funds

Problems Faced by Mutual Fund Investors	Number of Respondents	Percentage
Lack of Adequate Information	25	25
Improper guidance from Brokers	20	20
Selecting AMCs & Mutual Fund Schemes	14	14
Bad Experiences of Stock Market	18	18

Interpretation:

An important factor that restricts investors while investing money in any financial assets is the problems faced by them either before or during investing their money. The above table and graph exhibits large proportion of investors (about 77%) agreed that they face problems while investing in mutual funds. Of the investors, nearly **25%** of investors faced problem **due to inadequate and untimely information**, 20% from improper guidance from brokers, 18% due to bad and poor experiences in stock markets, including significant fluctuations and variations.

10. Investors' Opinion on different factors influencing selection of Mutual Funds Schemes.

Table .10:- Table showing Investors' Opinion on different factors influencing selection of Mutual Funds Schemes

Factors influencing selection of Mutual Fund Scheme	Importance Scale (Number of Respondents)					Total Score	Average Score
	Excellent	Good	Average	Below Average	Neutral		
Capital Appreciation	60	36	2	1	1	453	4.53
Objective of MF Scheme	37	45	16	2	-	417	4.17
Return on Investment	55	39	5	1	-	448	4.48
Tax Benefits	38	40	18	1	3	409	4.09
Quick Liquidity	22	56	20	-	2	396	3.96
Safety of Principal	22	54	20	2	2	392	3.92

Example of Weight Average for Capital Appreciation:

$$\frac{(60 \times 5 + 36 \times 4 + 2 \times 3 + 1 \times 2 + 1 \times 1)}{100} = \frac{453}{100} = 4.53$$

Interpretation:

The table above highlights various factors influencing selection of mutual fund schemes by any investor. It can be seen that both, the most important factor affecting the selection of mutual fund schemes are **Capital Appreciation & Returns Generated on investments** with an average score of **4.53 and 4.48** respectively. Whereas, Objective of Mutual Funds (4.17), Tax Exemptions and Benefits (4.09), Safety of Principal Value (3.92) are the important factors influencing investment decisions of respondents.

MAJOR FINDINGS:-

1. Maximum numbers of individual investors are investing in mutual fund for period of less than 10 years.

2. Significant number of investors had agreed that every year they invest between 1 to 5% of their annual income in mutual funds. However, in aggregate this proportion is comparatively very low.
3. The awareness and alertness of investors plays an important role while investing additional funds many because they promptly check the performance, returns/ profits generated of their mutual fund schemes on monthly basis.
4. While investing in mutual fund investors preferred to invest in Growth oriented-Equity mutual fund schemes, as investors thinks involving higher risk generates better returns in form of capital appreciation than investing in balanced and debt (Income) funds.
5. It can be inferred that investors gives more priority to liquidity of their funds, so that they can withdraw the same as and when required.
6. Majority investors are investing in open-ended schemes.
7. Majority investors are receiving information from Brokers and friends.
8. More than 35% respondents admitted that mutual fund schemes are professionally managed by qualified and experienced personnel.
9. Majority proportion of investors (about 77%) agreed that they face problems of inadequate information of mutual funds.
10. The most important factor affecting the selection of mutual fund schemes are **Capital Appreciation & Returns generated on investments.**

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