REVIEW OF RESEARCH

"CONSUMER BEHAVIOR AND THEIR PERCEPTION ON INVESTING IN MUTUAL FUND: A CRITICAL OVERVIEW OF CONSUMERS IN NASHIK CITY

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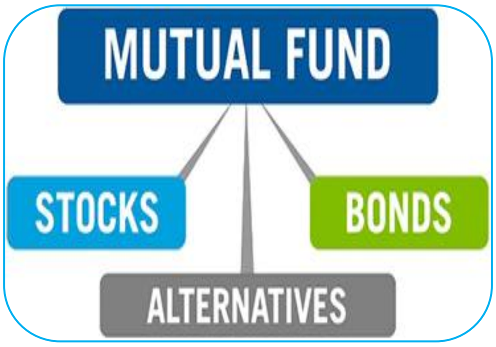
ISSN: 2249-894X
IMPACT FACTOR : 5.7631(UIF)
UGC APPROVED JOURNAL NO. 48514
VOLUME - 8 | ISSUE - 8 | MAY - 2019



ABSTRACT:

Looking towards the Market situation, now a day it is being so much volatile and uncertain. One cannot easily predict the future of the financial market. Hence it is the fear in to the minds of the small investors about where and how to invest the money for best and risk free returns.

An investment is a pecuniary asset purchased with an idea that the asset will give income in the future or will later be sold at a higher price for a profit. Investors activity is to plan continuously for their investments to fulfill their financial protection, career, asset purchase, children's' education, retirement etc. For this purpose investors need to take decisions regarding how much to invests and where to invest? For perfect decision, investors need to know various investment options. It is the role of financial services institutions to help the investors for investment, production and growth. This research paper tries to identify the various types of mutual fund schemes, most popular mutual fund schemes among investors. Also to know the investors awareness level towards mutual funds investment with their behavior.

KEYWORDS: *Mutual Fund, Investors, Financial Services, consumer behavior, schemes.*

INTRODUCTION:

A mutual fund is a professionally-managed venture scheme, usually run by an asset management company that brings together a group of people and invests their funds in stocks, bonds and other securities.

It is an investment tool made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by funds managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is planned and maintained to match the investment objectives stated in its prospectus.

The biggest benefit of investing through a mutual fund is it gives small investors access to professionally-managed, diversified portfolios of equities, bonds and other securities, which would be reasonably difficult to create with a small amount of money.

HISTORY OF MUTUAL FUNDS IN INDIA:

The history of mutual funds dates backs to 19th century when it was introduced in Europe country, more particular in Great Britain. Robert Fleming set up in 1968 the first investment trust called Foreign and Colonial Investment Trust which promised to manage the finances of the comfortable classes of Scotland by spreading the investment over a number of different stocks. Following table 1.1 predicts the overall history of Mutual Fund system

Table No. 1. History of Mutual Fund System

Year	Description
1822	closed-end investment companies launched in the Netherlands in by King William
1849	The next wave of near-mutual funds included an investment trust launched in Switzerland.
1880	Same process created in Scotland
1890	The idea of pooling resources and spreading risk using closed-end investments took root in Great Britain and France, making its way to the United States
1893	The Boston Personal Property Trust, formed and the first closed-end fund in U.S started
1907	The creation of the Alexander Fund in Philadelphia was an important step in the evolution towards the modern mutual fund
1924	The creation of the Massachusetts Investors' Trust in Boston
	State Street started its own fund with Richard Paine, Richard Saltonstall and Paul Cabot.
1928	The Modern fund opened to investors
	launch of the Wellington Fund, was the first mutual fund which includes stocks *and* bonds, as opposed to direct merchant-bank style of investments in business Indudtry and trade.
1929	19 open-ended mutual funds competing with nearly 700 closed-end funds
	highly leveraged closed-end funds were wiped out and small open-end funds managed to live on
1933	The creation of the Securities and Exchange Commission (SEC), the passage of the Securities Act of 1933
1934	Enactment of the Securities Exchange Act of 1934 put in place safeguards to protect investors
1940	The Investment Company Act of 1940 put in place additional regulations that required more disclosures and sought to minimize conflicts of interest
1950	Expansion of Mutual Fund Industry
1954	the financial markets overcame their pre-1929 crash peak, and the mutual fund industry began to grow in earnest
1960	rise of aggressive growth funds, with more than 100 new funds established and billions of dollars in new asset inflows
1971	William Fouse and John McQuown of Wells Fargo established the first index fund
80-90	Existence of bull market Mania.

OBJECTIVES OF THE STUDY:

1. To study various types of mutual fund schemes.
2. To identify the most popular Investment schemes among investors.
3. To know the investors awareness level towards mutual funds investment.
4. To analyze the difference in behavior of investors in Nashik region

RESEARCH METHODOLOGY:

Research Design

The research study conducted here for this paper is descriptive in nature.

Method of Data Collection

For this paper both the primary and secondary data collection methods were taken into consideration. A self designed questionnaire is used to collect the primary data. Secondary data was taken from various research papers, articles, Journals, Websites, and Magazines.

Sampling Method:

Sampling method: Judgment sampling
Sample population (Target) & Area: Retail Investors of Nashik city.

Sampling unit: Individual Retail Investors
Sample Size:

i. Retail Investors : 300
ii. Brokers and Advisors : 50

SCOPE OF THE STUDY

This research paper is focusing on the awareness about mutual fund investment in Nashik Region. The present study attempts to understand Investors' behavior in Nashik region with special reference to Mutual Fund Investment. The research paper will help the brokers and registered advisors of Mutual Fund, Mutual Fund Companies, Government policy makers, and corporate for future reference.

The main purpose of this research is to know about various schemes of mutual funds in the market and its functioning. This will help to know in detail about mutual fund industry right from its inscription stage, growth and future prospects. Because this research is depend upon prominent funds in India and their schemes like equity, income, balance as well as the returns associated with those schemes.

LITERATURE REVIEW:

(Mr. Ankit Goel, 2017) has conducted a research survey about mutual fund awareness and preference towards investment. In that they have considered the views and opinions of registered brokers and advisors of mutual fund in the market. It is found in their study that Majority of the investors are able to save between 20 to 35% out of their total earnings. Also out of total mutual fund investors under the study are not aware about mutual funds and they have invested in Mutual Funds on the advice of others.

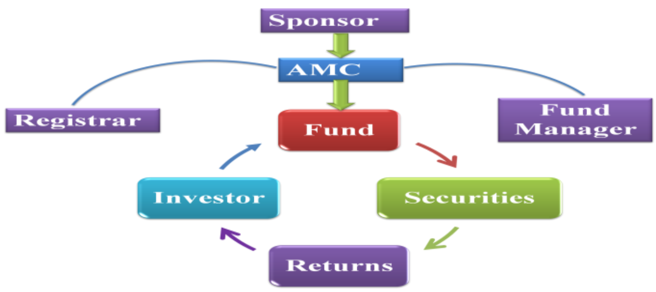
(Singh, 2012)in his research paper on investors' attitude towards mutual funds as an investment option has studied the impacts of various demographic factors on investors, attitude towards mutual fund have also been studied. He found that, most of respondents are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose.

(Jambodekar, 1996) conducted a study to assess the awareness of MF's among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund.

Organization Structure of Mutual Funds

Mutual funds have organization structure as per the Security Exchange Board of India guideline, Security Exchange Board of India specified authority and responsibility of Trustee and Asset Management Companies. The objectives are to controlling, to promoted, to regulate, to protect the investor's right and efficient trading of units. Following structure shows the working of Mutual fund.

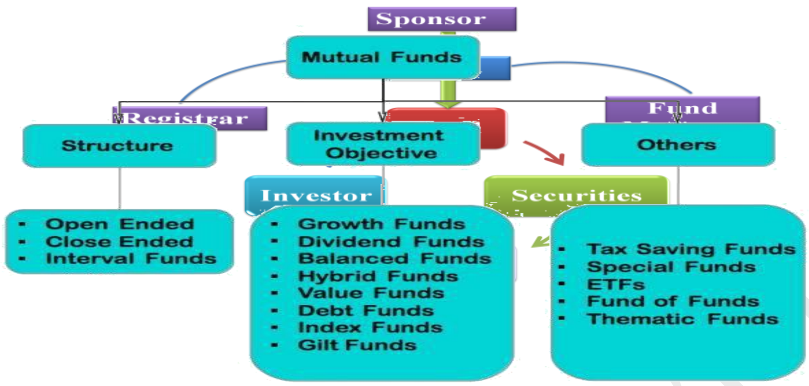
Fig:1 Organization Structure Of Mutual Funds



Types of Mutual Funds

The following figure No. 2. clearly indicate the various types of mutual fund in India. The short description is given below.

Fig:2 Types Of Mutual Funds



Open-Ended: investors can indulge in the buying and selling of units at any time. There is no maturity periods or investment periods for these funds.
Closed ended: fund comes with a fixed maturity period and also allows for investments to take place only in the initial stages of the fund.
Interval: operate as a combination of both open and close ended funds & investments can be made at specific intervals.
Equity/ Growth: Those where the investor's money is invested in equity stocks with the idea of either generating an income or capital gains.
Balanced: Invest the money in a balanced way between fixed income securities and equity funds so as to provide investors with the opportunity to invest aggressively but with caution.
Debt/ Income: fund can be put into monthly income plans, short term plans, flexible maturity plans, etc.
Index Funds: These funds invest the funds in same pattern as well-liked stock market indices like CNX Nifty Index and S&P BSE Sensex. The rate of the index fund varies in proportion to the benchmark index.
Gilt Funds: These funds invest in Central and State Government securities and are best suited for the medium to long-term investors who are reluctant to risk.
Money Market/ Liquid: provide investors with liquidity hence they come with short maturity periods of about 90 days.
Capital Protection: The capital protection mutual fund must invest in both fixed income securities and equity plans.
Fixed Maturity Plans: These plans, unlike most other plans, may come with the lowest charges for the scheme because they are not managed actively like other funds.
Diversified Fund: These funds provide you the benefit of diversification by investing in companies spread across sectors and market capitalization.

Most popular Investment schemes among investors

In order to get the right returns from the investments to the investor, there are two buckets for investment products, i.e. financial assets and non-financial assets. Financial assets can be divided into market-linked products like stocks and mutual funds and fixed income products like Public Provident Fund, bank fixed deposits.

Non-financial assets are those where most Indians investors are investing likes of gold and real estate.

Here is a look at the top 10 investment avenues Indians look at while savings for their financial goals.

1. **Direct equity:** Direct equity investment can be very rewarding. Simultaneously this is also true that risk of loss in direct equity is high. People who can make the equilibrium in the risk and return while dealing with direct equity are the winners. Currently, the 1-, 3-, 5 year market returns are around 13 percent, 8 percent and 12.5 percent, respectively.
2. **Equity mutual funds:** Equity mutual funds predominantly invest in equity stocks. An equity fund can be actively managed or passively managed. Equity schemes are categorized according to market-capitalization or the sectors. Currently, the 1-, 3-, 5-year market return is around 6.5 percent, 8 percent, and 7.5 percent, respectively.
3. **Debt mutual funds:** Debt funds are ideal for investors who want steady returns. They are less volatile and, hence, less risky compared to equity funds. Debt mutual funds primarily invest in fixed-interest generating securities like corporate bonds, government securities, treasury bills, commercial paper and other money market instruments. Currently, the 1-, 3-, 5-year market return is around 6.5 percent,8 percent, and 7.5 percent, respectively.
4. **National Pension System (NPS):** The National Pension System (NPS) is a long term retirement - focused investment product managed by the Pension Fund Regulatory and Development Authority (PFRDA). Currently, the 1-,3-,5-year market return for Fund option E is around 9.5 percent, 8.5 percent, and 11 percent, respectively.
5. **Public Provident Fund (PPF):** The Public Provident Fund (PPF) is one product a lot of people turn to. The PPF has a long tenure of 15 years; the impact of compounding of tax-free interest is huge, especially in the later years. Further, since the interest earned and the principal invested is backed by sovereign assurance.
6. **Bank fixed deposit (FD):** A bank fixed deposit (FD) is a safe choice for investing in India. As per the need, one may opt for monthly, quarterly, half-yearly, yearly or growing interest option in them. The interest rate earned is added to one's income and is taxed as per one's income and is taxed as per one's income slab.
7. **Senior Citizens' Saving Scheme (SCSS):** Probably the first choice of most retirees, the Senior Citizens' Saving Scheme (SCSS) is a must-have in their investment portfolios. SCSS can be available from a post office or a bank by anyone above 60. Currently, the interest rate that can be earned on SCSS is 8.3 per cent per annum, payable quarterly and is fully taxable. The upper investment limit is Rs 15 lakh, and one may release more than one account.
8. **RBI Taxable Bonds:** The government has replaced the erstwhile 8 percent Savings (Taxable) Bonds 2003 with the 7.75 per cent Savings (Taxable) Bonds. These bonds come with a tenure of 7 years. The bonds may be issued in demat form and credited to the Bond Ledger Account (BLA) of the investor and a Certificate of Holding is given to the investor as proof of investment.
9. **Real Estate:** The house that you live in is for self-consumption and should never be considered as an investment.
10. **Gold**: Possessing gold in the form of jewelry has its own concerns like safety and high cost. Then there's the 'making charges', which typically range between 6-14 per cent of the cost of gold.

DATA ANALYSIS AND INTERPRETATION

From the structured questionnaire, the author has tried to satisfy the objectives under the study like, investors awareness level towards mutual funds investment and to analyze the difference in behavior of investors in the specific region.

Following Table No. 3. gives an overview about the data analysis.

Table No. 2. Data Analysis

Sr. No.	Category	Particulars	Respondents	Total
1	Annual Income of the Investors	Less than 1.5 lacks	45	300
		1.5 lacks to 2.5 lacks	126	
		3.5 lacks and 5	90	
		5 lacks and above	39	
2	Investors Occupation	Private job	156	300
		Government job	54	
		Business	75	
		Retire	15	
3	Annual savings from total Income	Upto 20%	89	300
		20 to 40%	114	
		40 to 60%	52	
		More than 60%	45	
4	Investors interest towards investment	Equity based Schemes	27	50
		Debt Schemes	23	
5	Parameter of Investment	Return	72	300
		Lower Risk Factor	81	
		Credit Rating	21	
		Inflation	45	
		Company	42	
		Lock in Period	39	
6	Investors Awareness About Investment	Extremely High	132	300
		High Awareness	96	
		Medium Awareness	45	
		No Awareness	27	

FINDINGS:

From the above table of data analysis, following are the major findings concluded.

1. As far as the annual income of the individual investors are concern, 42% of the respondents belongs to the earning category of 1.5 lakhs – 2.5 lakhs, 30% respondents are of annual income between 3.5- 5 lakhs whereas 15% earn less than 1.5 lakhs and remaining 13 % earn from 5 lakhs and above.
2. During the survey of the investors as per their occupation, it has been found that, 52% of investors are from private job and 18% are from government job and 25% are from business and remaining 5% are retired.
3. Majority of the respondents i.e. 38%are able to save between 20% to 40% of their total income. 30% respondent saves about up to 20% of their annual income. 17% respondents can save between 40 to 60% of their annual income. Also 15% respondents are able to save around more than 60% of their income.
4. From the response by the Agents regarding the type of schemes used by the investors, it is observed that, 54% investors selects Equity based schemes and 46% investors selects Debt Schemes for their investment
5. While considering the parameter of investment form the investors, it has been observed that, 24 % respondents consider returns as a parameter while investing, 27% consider lower risk factor, 7% consider credit rating, 15% consider inflation, 14% consider company and only 13% consider lack in period as a parameter while investing.
6. It is found that, 44% of the investors are having good knowledge about the mutual fund and they can invest their fund in mutual fund without concerning to the agents or any authorized agencies. 32% investors are at high awareness level and they are able to decide

the pattern of the investment at their own. 15% of the investors are having less awareness and 9% investors are having no awareness about the mutual funds.

RECOMMENDATION & SUGGESTIONS

1. Cost saving is an important factor now a days. Hence in order to save the charges incurred by for the agents to invest. This will also save time as well.
2. Better awareness should be provided to the investors about maintaining their portfolio according to their demand and financial goals.
3. It has been observed from the previous data of last 20 years that, mutual fund gives highest return for long term. Hence it is recommended that investors should propose their investment for long term and in mutual fund only.
4. Past data shows that Mutual funds can be the best option for wealth creation and to beat inflation.
5. Investing in an Equity scheme is also the best options to invest as it provides much higher returns on investment. Hence investors should educate in this regard.
6. Mutual Fund Companies should provide training or take initiative to aware the investors about various benefits of investment in mutual funds.

CONCLUSION:

Awareness is created among the People day by day in every aspects of financial management. Peoples are now a day's shifting towards the cashless economy. Somehow peoples are very less aware about the investment schemes.

When the scene of investment arises in front of the people then they get a hesitation call about where to invest. Now a day's numbers of options are available other than mutual fund for investment like, Bank fixed deposits, saving account, PPF used to be favorites investment avenues among investors. Majority of investors are known about mutual funds but many of them have not initiated to investment because of having lack of full knowledge about mutual funds and the procedure to invest in the same. Hence this study reveals that the awareness must be created among all the peoples to save the money and invest for the better tomorrow.

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