Savings & Investment Pattern of Mutual Fund Investors

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Abstract

Investment culture is an essential key for capital structuring and the speedier development of an economy among the populace of a nation. Investment culture is the accumulation of the conduct, discernments, and ability of the people and organizations in setting their investment funds in different money related resources, all the more prominently known as securities. An investigation of the investors' perceptions and inclination has a more noteworthy effect in the plan of arrangements for the improvement and regulation of security markets when all is said in done and therefore ensuring and advancing little and family financial specialists specifically. This study investigations investment pattern of the investors with respect to different investment avenues and their awareness on the mutual funds. The investors' attitude towards investment is analyzed with respect to their financial needs, investment objective, and return period of investment, willingness to take risk, inclination and level of security for budgetary resources

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Keywords: Investment, Investors, Mutual Funds

Introduction

A Mutual Fund is promoted by a sponsor and run by a trust that pools the savings of a number of retail investors who share a common financial goal. The money collected by selling units of mutual funds is invested by the fund manager in different types of securities depending according to the objective of the scheme. These could actually range from shares to debentures to money market instruments. For an individual investors a Mutual Fund offers diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can actually make an investment in Mutual Funds. Each Mutual Fund scheme has a distinct investment intention and tactic. Primary motive behind mutual fund investments is to deliver a form of diversified investment solution. Over the years the idea being developed and people has received more and more choices for diversified investment portfolio through mutual funds. The credit goes to unit trust of India (UTI) for introducing the first mutual fund in India. Recent years, Indian money and capital market has shown tremendous growth and expanded its reach to wider geographical limits.

Indian regulators in money and capital market have actively participated in framing regulations which gives confidence to both individual and institutional Institutions for participation. Progressive reforms have taken place with the initiative of Security Exchange Board of India (SEBI), capital market regulator in India which facilitates savings. It is continuing to evolve for a better future, where investors can actually access to get newer opportunities. In this era of globalization and competition, the success of this industry is determined by the market performance of its stock. During the period of this study, performance of mutual fund industry was not as per the expectation, because of the underperformance of the secondary market and imposition of ceiling on the expense ratio and entry load charges by capital market regulator. With regenerated combined efforts of the brokerage houses and the fund managers and with the backing of market regulators, and extensive awareness program for investors, investments in mutual funds schemes bound to get boost.

Statement of the Problem

This study aims at understanding the current investment pattern of employed based on the types of investment products held by them currently. Classification of the investment pattern is based on the portfolio risk associated with the current investments. Further the study will make an attempt to identify the association between demographic attributes and the investment pattern of employed. Additionally, attempt will be made to understand the risk return perception of different investment products and the financial literacy level of employed.

Objectives of the Study

The overall objective of the study is to make an analyze of the investment attitude among various investors. The specific objectives of the study are:

- To know about the preference of investors towards avenues of investment,
- The purpose and frequency of investment in mutual fund industry,
- To find the satisfaction level of investment.

Significant of the Study

Saving and investment schemes play a significant role in rural area India. It provides numerous many benefits to the investors. Investment culture among the inhabitants of a country is an essential perquisite for capital formation and the faster growth of an economy. Investment culture makes a reference to approach, insight and compliance of individuals and institutions in placing their savings or reserves in various financial assets more popularly recognized as investments or postal savings. A study on the saving and investment pattern of rural inhabitants (household) thus assumes a greater significance in the formulation of policies. For the development and regulation of savings in general and protection of rural inhabitants (household) investors in particular this is because lack of awareness among the rural inhabitants.

Poor investment climate and lose of confidence of existing inventors in postal and banking (saving and investment) it is extremely important for the policy maker and regulatory authorities to understand the investors, perceptions, and preferences on the market. It wills the issues investigated in the present study include the sources of income, saving of rural inhabitants, investment of rural inhabitants, awareness of rural inhabitants about saving and investment, problems being faced by rural inhabitants regarding the saving and investment, financial literacy of rural inhabitants about saving and investment schemes. This study can also help to define the factors influencing the saving and investment pattern to analyze the certain constrains in the saving benefit in the rural area.

Necessity of Financial Literacy in India - Savings & Investment Pattern

The Organization for Economic Co-operation and Development (OECD) has defined financial education as "the process by which financial consumers or Investors improve their understanding of financial products, concepts and risks, and through in sequence of information, instruction and objective advice, build up the skills and confidence to become more conscious of the financial risks and opportunities and to make informed choices by knowing where exactly to go for help and to take other effectual proceedings for improving their monetary well being".

Thus, it can be rightly stated that Financial literacy enhance an individual's ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of one self, one's family and one's business. Financial literacy enhances household stability to make informed judgments and to take effective decisions regarding the use and management of money. Thus, financial literacy place emphasis on the skills and area of knowledge that is likely to be necessary for informed judgments. The needs to be financially literate are briefly discussed in this section of study, which includes:

- Increase in Life Expectancy
- Increase in Individual Responsibility
- Increase in financial Products & Services
- Increase in Financial Firms
- Technological changes and Market Innovations

Indian Households Savings, Investments & Liabilities Pattern 2018

- From the year 1990 - 2000, Indian households preferred to endow investment in financial assets to Physical assets.
- From the year 2000 - 2007, more savings were being routed to Physical assets.
- Interestingly in 2007 - 08, added investments were made in financial assets, which show that retails and small investors have participated in stock markets when their valuations were at peak, and got eventually crashed down in the year 2008.
- From 2008 - 2015, savings was being preferred to financial savings.
- The Gross Financial Savings during 2014 - 15, 2015 - 16 & 2016 - 17 were Rs 12,572 billion, Rs 15,207 billion and Rs 14,048 billion. As per the data for 2017-18, around Rs 18,800 billion were invested in financial assets.
- The savings in Physical Assets were around Rs 14,164 billion, Rs 15,000 & 12,700 billion during 2013-14, 2014-15 and 2015-16 respectively. The data for 2016 - 17 was ranging around Rs 13,900 billion were invested in physical assets.
- The above recent years data clearly indicates that there has been a slight uptick of savings in Physical Assets and steep increase of savings in Financial Assets.

Financial Assets (Savings) of the Households (2012-2018)

Based on the data, we can observe that there has been a steep decrease of savings in Bank deposits and a steep increase of investments in Shares during 2017-18.

Financial Assets of the Indian Households (2012-18) (in Rs Billon & at approx current prices)

Year	Bank Deposits	Non-Banking Deposits	Life Insurance Funds	Provident & Pension Funds	Shares & Debentures
2012-13	5,751	279	1,799	1,565	170
2013-14	6,393	228	2,044	1,778	189
2014-15	6,027	289	2,992	1,908	203
2015-16	6,220	182	2,660	2,917	448
2016-17	9,418	250	3,491	3,020	362
2017-18	4,753	208	3,272	3,496	1,509

* Life Insurance Fund includes Central or State Governments employees' insurance funds and postal insurance funds.
* Shares and Debentures include investment in shares and debentures of credit / non-credit societies, public sector bonds and mutual funds (other than Specified Undertaking of the UTI).

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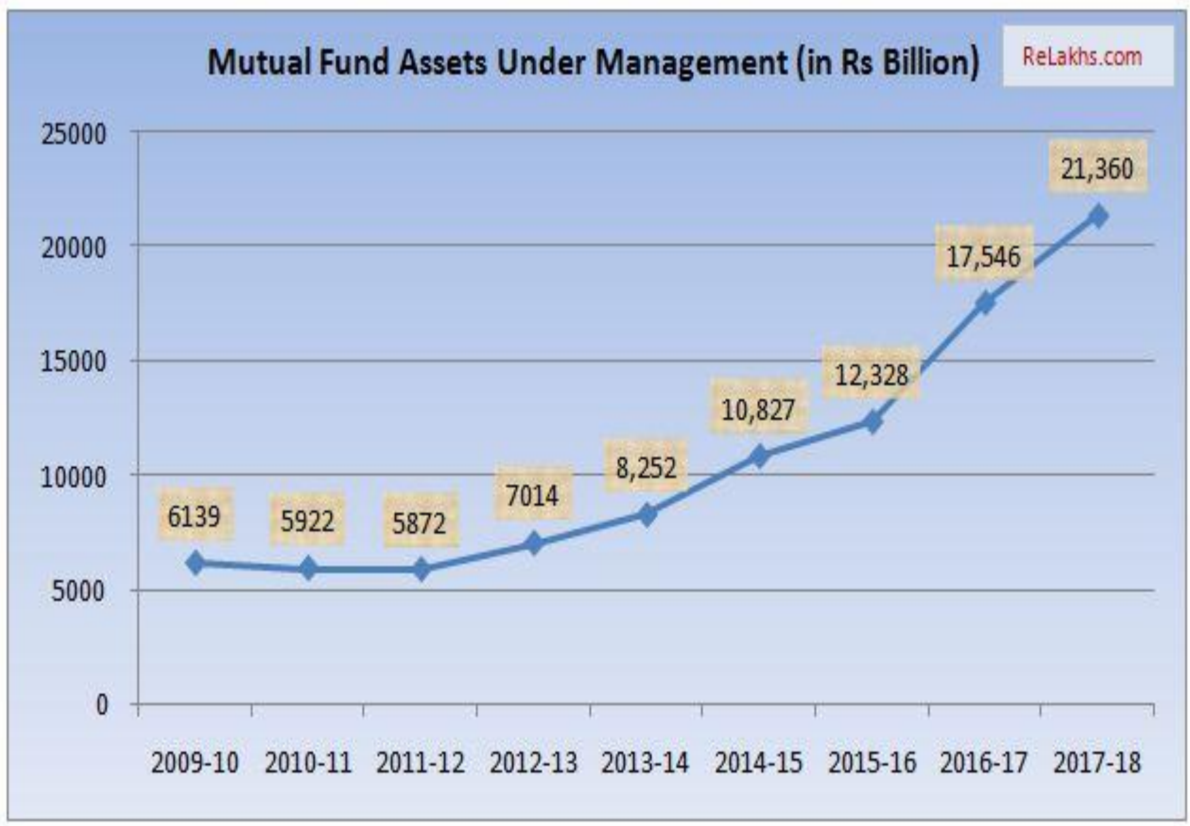
Mutual Fund Schemes: Assets under Management till 2018



Conclusion

The objectives of investment were also studied as they had considerable influence on determining the pattern of investments chosen by an investor. Thus the basic objectives of safety, liquidity and marketability, income, capital appreciation, tax benefits and diversification were tested on the respondents and the response showed that safety was considered as the most important objective of investment followed by income, tax benefits, liquidity and marketability, capital appreciation and diversification. It was important to note that diversification was the least preferred objective of the majority of the respondents.

The behavior of the respondents towards the various investment avenues was analyzed using several variables like motive, frequency of investment, ownership pattern, basic nature of the respondents, investment strategy, assistance sought in investing, expectations of future income, saving pattern of the investors, their monitoring and observation practices, level of investment activity and net additions/reduction made in investments.

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