

Investors Behaviour Toward Investment in Indian Mutual Funds

Prof. K. Krishna Chaitanya

Dept. of Commerce, UCW, OU, Koti, Hyderabad.

Abstract:

India is going through a period of saving and investing, particularly with the development of its working class. The assets under administration of different fund companies have increased as a result of the rapid growth of the Indian mutual fund business. This study concentrated on a variety of variables that emphasize investors' preferences and behaviour toward mutual funds. Studies have been done on how different demographic and behavioural aspects affect investors.

The study's design, methodology, and approach are survey-based and empirical. This study is based on primary data. Through the use of structured questionnaires, data is gathered. To support our hypotheses, we have employed frequency distribution, percentages, the chi square test, an analysis of variance (ANOVA), an average score calculation, and the Kruskal Wallis test. Additionally, Cronbach's Alpha (CFA) is used to gauge the variables' internal consistency.

The study's key conclusions point out that investors' investing decisions are influenced by demographic considerations. Additionally, it was discovered that older, more educated individuals favoured investments with high rates of return that were safe. Risk is avoided. The study would be helpful for academicians and scholars conducting additional research, as well as for brokers, dealers, investors, and share market administrators.

Research Applications/Limitations: This study helps to understand how investors behave when investing in mutual funds. Even with the utmost care, there were some limitations in this study that could have affected the results. It is challenging to extrapolate the results to a large population because only 100 samples of respondents of Hyderabad city were chosen for the convenience sampling method.

Relevant Applications: contributes to the corpus of information about investor behaviours, perceptions, and attitudes regarding investing in mutual funds, as well as the implications of such findings for policymaking by investors, organisations, and the government.

Originality/Value: This study presents a framework of pertinent standards and resources that will be helpful to people with an interest in the subject.

Key words: Mutual funds, investor behaviour, risk and returns, perception and attitude

INTRODUCTION

An investor has access to a wide range of investment instruments, including non-marketable financial assets, equity shares, debt instruments, bonds, precious metals, mutual funds, life insurance, financial derivatives, real estate, etc. Mutual Funds (MFs) have become a key investment option for retail (small) investors as a result of financial sector reforms and changes to the Indian financial markets. Mutual funds have given all types of investors, especially small investors, a better choice to obtaining the advantages of expertise-based equity investments.



Fig1 Mutual Funds

A mutual fund is a type of trust that combines the savings of many investors who have similar financial objectives. The funds raised from investors are invested in assets such as shares, debentures, and other capital market instruments. The amount of units a unit holder owns determines how much of the income generated by these assets and capital gains they get. Therefore, a mutual fund is the most suited investment for the average person since it gives them the chance to invest in a variety of professionally managed assets at a reasonable price.

A mutual fund is a type of investment business that serves as a link between large corporations and small investors. For retail investors or individual investors who are unsure of the stock market but still want to put their money there with a little sum of money, mutual funds offer an investment choice. The fundamental task of purchasing and selling securities on behalf of its investors or unit holders is carried out by mutual funds, which are pure intermediaries. Mutual funds pool the savings of many investors and invest those assets in stocks and other types of securities.

Mutual funds are essential to the growth of capital markets and the emergence of the equity cult in a nation's economy. The development of the Indian mutual fund business began in 1963 with the

founding of Unit Trust of India. The Reserve Bank of India and the Government of India worked together to achieve the primary goal at the time, which was to draw in small or retail investors for investment.

A mutual is a trust that has a sponsor, trustee, assets management company (AMC), and custodian set up in its structure. The individual who creates a mutual fund, either independently or in collaboration with another body corporate, is known as the sponsor. The sponsor is required to meet the eligibility requirements outlined in the Securities and Exchange Board of India (Mutual Funds laws, 1996) and contribute at least 40% of the investment manager's net worth. The Sponsor establishes the Mutual Fund as a trust in accordance with the Indian Trusts Act of 1882. Typically, a trustee is a business (corporate body) or a board of trustees (body of individuals). The trustee's primary duty is to protect unit holders' interests while also ensuring that AMC operates in conformity with the Securities and Exchange Board of India (Mutual Fund) Regulations 1996, the terms of the Trust Deed, and the offer Document of the relevant schemes. The AMC is chosen by investors and maintains investor records. The aggregate AUM of the industry is still much behind the Trustees' target of Rs. 97 trillion.

To serve as the Mutual Fund's asset management business, the AMC must receive SEBI approval. The Registrar and Transfer Agent are chosen by the AMC to represent the mutual fund, if permitted by the Trust Deed. India is one of the fastest growing asset management markets in the world. 42 asset management firms were active in the nation as of November 2017. In the fiscal year 2016–17, India saw a record-high influx of mutual fund capital totaling US\$51.02 billion. This was the greatest investment in mutual fund schemes since the fiscal year 1999-2000, according to data from the Association of Mutual Funds in India (AMFI). Between April and January 2018, systematic investment plan (SIP) inflows into Indian mutual fund schemes were Rs 536 billion (\$8.34 billion).

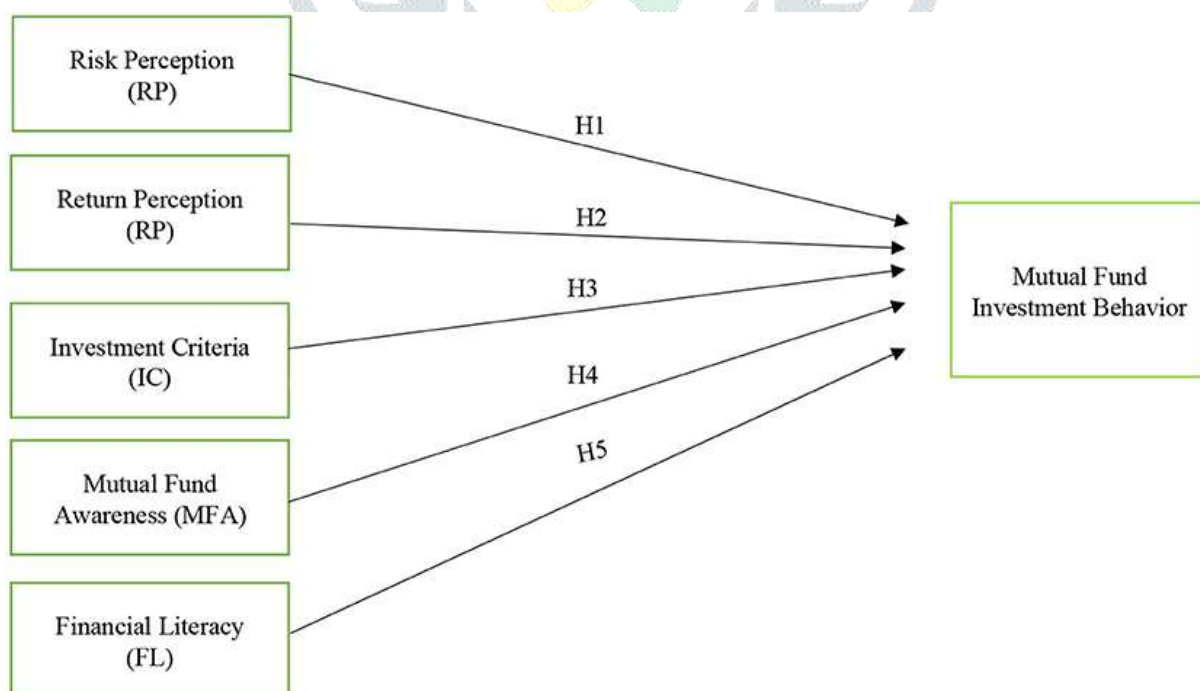


Fig2 Mutual funds Investor Behaviour

Mutual funds offer a wide range of securities in which to invest. There are hundreds of sub-categories, with cash, stocks, and bonds being the most popular. Stock funds invest mostly in the stocks of companies in a specific sector, such technology or utilities. They are referred to as sector funds. Bond funds can differ based on risk (such as high-yield or junk bonds, investment-grade corporate bonds), issuer type (such as governments, businesses, or municipalities), or bond maturity (short- or long-term). Both stock and bond funds can invest in securities that are predominantly foreign, both domestic and foreign, or both domestic and foreign (domestic funds) (international funds).

Review of Literature:

In order to determine what information sources individual investors rely on, Shanmugham (2000) conducted a survey of them. The findings demonstrated how economic, social, and psychological aspects influence investing decisions.

According to a study by Singh and Jha (2009) on mutual fund awareness and acceptance, consumers primarily like mutual funds because of their return potential, liquidity, and safety, even though they may not fully understand systematic investing plans. Before investing in mutual funds, investors will take a number of variables into account.

Using survey data from 350 individual investors, Chandra & Kumar (2012) came to the conclusion that investor behaviour is influenced by a number of psychological heuristics and biases. Their findings highlight an uneven structure of information use and distribution among investors, which significantly affects their investment behaviour.

The effect of demographics on the investment options chosen by investors in the cities of Hyderabad and Secunderabad was studied by Sireesha & Laxmi in 2013. They discovered that factors such as gender, age, and peer group had an impact on investing decisions. They also discovered that while investors are less concerned with money growth and liquidity, they do want their money to be safe and risk-free.

In the Tamil Nadu city of Vellore, Velmurugan et al. (2015) conducted research on how investors perceive investing in mutual funds. They discovered that older and higher-earning investors favour post office and bank saves for reasons of safety. They also noted that male and female investors have more or less the same perceptions of different investment opportunities.

Budhiraja (2015) identified the investment behaviour of retail investors with a focus on the mutual fund sector. They discovered that the rate of return connected with the investment option is the most crucial aspect for practically all age groups. The results of the study indicated that risk appetite and age groups are related, but that there is no relationship between investor risk appetite and educational attainment.

Last but not least, neither the gender of the investor nor the different classes of investors much affect the influence of other aspects while investing.

Baral (2016) investigated the development of mutual funds in India and examined the industry's growth trajectory. In India, where regular investors account for 97.7% of the country's 4.70 crore investor accounts, mutual funds have become a significant financial middleman on a worldwide scale.

The current state of the Indian mutual fund industry and recent development initiatives announced by regulatory authorities were noted by Virk & Singh (2017). Sanjay and Raj (2018) made an effort to examine the mutual fund industry's growth in AUM, Investor Accounts, Investor-wise (Retail & HNI) growth rate, and Scheme-wise (Investor Account) growth rate over time. They discovered that the MF industry is expanding in terms of AUM and scheme-wise policy as well, but that there is a discrepancy between equity and debt.

Objectives of the study:

The ensuing goals are set up to investigate how investors behave in relation to various investment opportunities.

- To examine how different demographic factors affect investors' perceptions of mutual funds.
- To research the elements that affect how investors behave when making investments.
- To learn how investors view the characteristics of low risk/safety, liquidity, high returns, and reputation of the company.
- To identify the variables influencing investors' choice of or preference among various investment opportunities.

HYPOTHESES ARE TESTED

For the investigation of investors' attitudes about mutual funds, the following null hypotheses have been chosen.

- The amount invested in a mutual fund and the investor's yearly income are unrelated.
- Investor qualifications and mutual fund knowledge are independent of one another.
- The most important factor considered while making an investment decision and the investor's age are unrelated.
- The individual investor's occupation and the quality that appeals to him the most are unrelated.
- Investors' perceptions of low risk/safety, liquidity, corporate repute, and high returns are not significantly different.
- The respondents' preferences for different investment options do not differ significantly based on their age or income level.

RESULT ANALYSIS METHODS

The study uses a survey approach and is empirical and analytical. The study's approach intends to examine how retail investors like to invest their money and how demographic analysis might be used to allocate these preferences using primary data. A diverse sample of 100 educated investors in mutual funds from Hyderabad city of India was chosen for this study using a sampling technique. The majority of the information needed for this analytical investigation came from primary sources, but secondary data sources were occasionally taken into consideration as well.

The secondary data was gathered from relevant research papers, books, journals, reports, and websites that were approved sources of information, including Mutual Funds of India, the Association of Mutual Funds of India (AMFI), the Reserve Bank of India (RBI), and Securities and Exchange Board of India (SEBI). Direct interviewing and a structured questionnaire with open-ended and closed-ended questions were employed as the data collecting methods to extract the needed information from primary sources.

The demographic profile of investors is covered in Part I of the questionnaire, and investor behaviour is covered in Part II. The sample was collected using judgement and practical sampling techniques. Cronbach Alpha was used to assess the reliability of the nine-item subset. The Cronbach Alpha for the 100 sets of answers was 0.842. This demonstrates that the items' internal consistency is fairly high. Several statistical methods, primarily descriptive statistics (percentages, frequency distributions, and averages), ANOVA, Chi-square test, Average Mean Score, and Kruskal Wallis test have been utilised to analyse the obtained data. The data was examined using SPSS, a software package for social sciences.

DATA ANALYSIS AND INTERPRETATION

The analysis of the data obtained from the questionnaire, which takes into account each factor, is shown below: Statistical Profile of Investors (Percentage Analysis)

The investor's investment preference has been categorized based on a number of socioeconomic aspects and a few specific investment profile factors, i.e.

Table 1: Distribution of Sample Data

Variables	Category	Frequency	Percentage
Gender	Male	56	56
	Female	44	44
Age	Total	100	100
	Less than 30years	43	43
	30-40	27	27
	40-50	19	19

	More than 50years	11	11
Occupation	Total	100	100
	Professionals	18	18
	Business	23	23
	Salaried	57	57
	Retired	2	2
Education	Total	100	100
	High School	3	3
	Graduation	26	26
	Post Graduation	49	49
	Professional	22	22
Total		100	100
Income Status	Less than 5lakh	51	51
	5-15	34	34
	15-25	12	12
	More than 25lakh	3	3
	Total	100	100

Source: Authors' Findings.

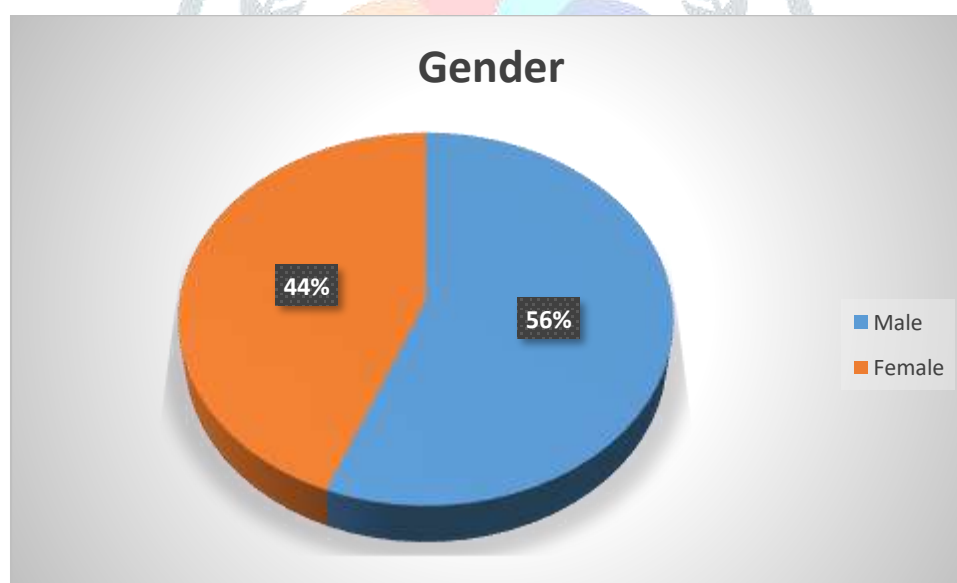


Figure 3 Gender of the respondents

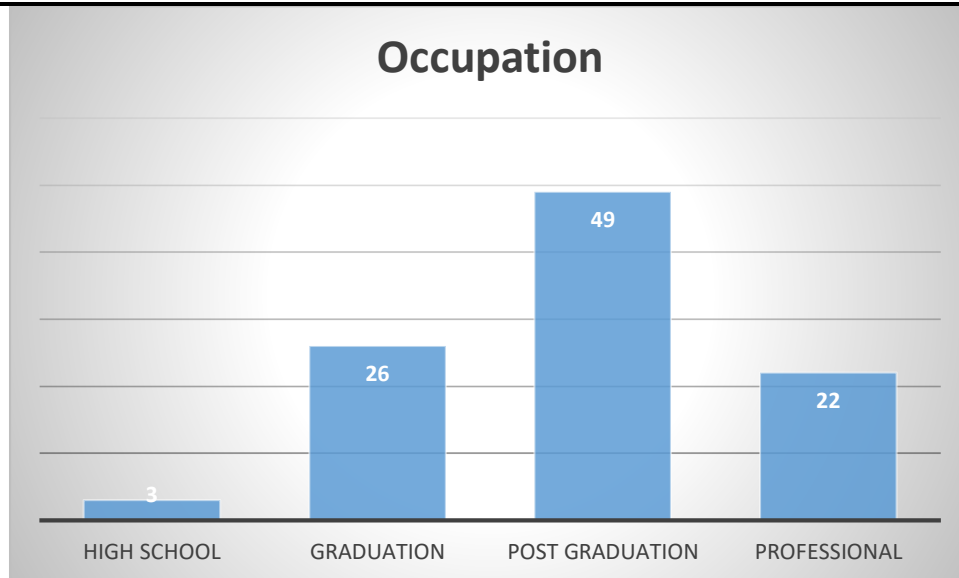


Figure 4 Occupation details

Only 8% of the investors were female, as shown in the table above, with 92% being men. The aforementioned graph makes it evident that the majority of investors are under the age of 30, followed by those between the ages of 30 and 40. The majority of investors follow businesspeople and other professionals in the salaried profile. Most of the responders had post-graduate degrees, followed by investors with graduate degrees and people with professional degrees. According to the investor's annual income profile, 51% of investors have incomes of less than Rs 5 lakh, while 34% have incomes ranging from Rs 5 lakh to Rs 15 lakh.

The Investor's Favorite Investment Avenue Is Behavior Analysis

Savings accounts are preferred by the majority of investors (57%) followed by mutual funds (53%). 18% of people choose to invest in the post office.

Investors' annual income and mutual fund investment amounts

The relationship between an investor's income and their mutual fund investment has been evaluated using the chi square test.

Table 2 Incomes of Investors and Amount of Investment in Mutual Funds

Amount of Investment(in Rs.)

Annual Income	Less than 50000	50000-100000	More than 100000	Total
Less than 5lakh	29	22	0	51
5-15 lakh	4	22	8	34
15-25lakh	2	6	4	12
More than 25lakh	0	1	2	3
Total	35	51	14	100

Table 2's calculated and tabulated values for the Chi square are 30.169 and 12.592, respectively. Ho is rejected because the calculated value is smaller than the tabular value. The amount invested in a mutual fund and the investor's yearly income are correlated.

Qualification of Respondents and Mutual Funds Knowledge Chi square analysis has been used to determine the relationship between investor qualification and mutual fund knowledge.

Table 3 Qualifications of Respondents and Knowledge about Mutual Funds

Qualification	Ignorant	Partial Knowledge	Aware of specific schemes	Fully Aware	Total
High School	0	0	3	0	3
Graduation	3	7	14	2	26
Post-Graduation	0	29	15	5	49
Professional	0	1	18	3	22
Total	3	37	50	10	100

The calculated value of $\chi^2 = 288.779$ and the tabular value of $\chi^2 = 16.919$, both at the 5% level of significance, indicate an inference. The null hypothesis is disproven. As a result, investor qualifications and mutual fund knowledge are interdependent. Typically, it is stated that a person's qualifications would also influence his understanding of the numerous investing opportunities.

Investors' ages and the most important considerations when making investments

The ANOVA test has been used to determine whether there is a correlation between investors' age and the criteria they value most when making investment decisions.

Table 4 Factors Preferred the Most by Investors

Age	Liquidity	High Return	Low Risk	Company Image	Total
Less than 30years	8	21	9	5	43
30-40years	7	14	5	1	27
40-50years	5	6	5	3	19
50Years & Above	2	3	5	1	11
Total	22	44	24	10	100

Table 5: ANOVA

Source	SS	df	MS	F	P value	F-Critical value
Rows	140	3	46.66	4.117	0.0428	3.854
Columns	149	3	49.66	4.382	0.0367	3.867
Error	102	9	11.33			
Total	391	15				

Inference: The null hypothesis is rejected at the 5% level of significance since the p value is less than 0.05. The null hypothesis is disproven. Age of the investors and the factors most important when making investment decisions are interdependent.

Investor Behaviour Analysis (Average Score Analysis)

The average score analysis has been used to study the elements influencing investment decisions. To determine the factor that has the most influence on decision-making, the respondents' ages were compared to the major factors that affected their investment choices.

Table 5 Mean Score Analysis of Age vs. Factors Influencing Investment in Mutual Funds

Age	Liquidity	High Return	Low Risk	Reputation of the Company	Total
Less than 30years	1.146	1.98	2.57	2.57	2.87
30-40	1.44	1.55	2.16	2.87	2.92
40-50	1.22	1.24	2.15	3.68	2.86
More than 50years	1.17	1.21	2.43	3.47	2.52
Total	1.19	1.68	2.34	2.72	2.64

Table 6 the rate of return is the main element that influences decision-making for people of all ages. Next, the risk element has an impact on the choices made by investors of all ages. When making financial selections, the over-50 age group focuses primarily on the risk associated with the transaction.

Investors' occupations and the qualities that most entice them to invest in mutual funds

The association between investor occupation and the elements that appeal to investors the most when investing in mutual funds has been investigated using the ANOVA test.

Test of Kruskal-Wallis

This test has been used to determine whether there is no discernible variation in the respondents' preferences for different investment routes according to their age and income level. The information about age, yearly income, and investment options is provided in the table below:

Table 7 Age, Annual Income and Investor's Perception towards Investment Avenues

Investment Avenues	Age	Chi-Square	symp.sig.	Annual Income	Chi-Square	Asymp. sig.
Saving account	Less than 30years	12.54	.003*	Less than 5lakh	0.856	.629
	30-40			5-16		
	40-50			16-27		
	More than 50years			More than 25lakh		
Mutual Funds	Less than 30years	15.44	.007*	Less than 5lakh	9.22	.025*
	30-40			5-16		
	40-50			16-27		
	More than 50years			More than 25lakh		
Gold/Silver	Less than 30years	13.14	.000*	Less than 5lakh	3.97	.185
	30-40			5-16		
	40-50			16-27		
	More than 50years			More than 25lakh		
Stock Market	Less than 30years	24.56	.002*	Less than 5lakh	2.165	.578
	30-40			5-16		
	40-50			16-27		
	More than 50years			More than 25lakh		
FDs	Less than 30years	3.87	.127	Less than 5lakh	2.922	.422
	30-40			5-16		
	40-50			16-27		
	More than 50years			More than 25lakh		
Insurance	Less than 30years	6.82	.085	Less than 5lakh	6.44	.069
	30-40			5-16		
	40-50			16-27		

	More than 50years			More than 25lakh		
Real Estates	Less than 30years	3.92	.143	Less than 5lakh	2.05	.319
	30-40			5-16		
	40-50			16-27		
	More than 50years			More than 25lakh		
Post Office	Less than 30years	11.26	.005*	Less than 5lakh	8.45	.017*
	30-40			5-16		
	40-50			16-27		
	More than 50years			More than 25lakh		

Source: Author's findings. *Significant at 5% level.

The table shows that there is a strong correlation between age and investment strategies. With the exception of the variables FDs, real estate, and insurance, the calculated values of the Kruskal Wallis test for all variables, including saving account (0.002), mutual funds (0.006), gold/silver (0.000), stock market (0.001), and post office (0.003), are all less than the fictitious value ($=0.05$) at the 5% level of significance. Thus, the null hypothesis is disproved. As a result, there is a considerable relationship between investor behaviour toward various investment routes and age.

Additionally, we used the same technique to investigate the relationship between income level and investors' perceptions of various investment possibilities. At a 5% level of significance, the computed value of variables like mutual funds and the post office is lower than the fictitious value ($=0.05$). Thus, the null hypothesis is disproved. It follows that there is a correlation between investors' income position and how they perceive certain variables. The order perception for investments in mutual funds and the post office is therefore consistent regardless of income level, whereas it differs for savings accounts, the stock market, insurance, money market accounts, gold and silver, and real estate.

RESULT OF THE STUDY

The study's conclusions show that return potential and liquidity continue to be important elements when it comes to motivating people to invest in mutual funds. The majority of investors follow businesspeople and other professionals in the salaried profile. Savings accounts are preferred by the majority of investors (57%) followed by mutual funds (53%).

The majority of investors are capable of taking on moderate risks, with low-risk investors coming in close second.

Only 38% of investors used brokers and agents, while 28% invested in mutual funds based on advice and knowledge from friends and family.

The factors that investors value most while making investment decisions are dependent on one another, as are the investors' ages, mutual fund knowledge, and educational backgrounds.

SUGGESTIONS

Investors are advised to keep their investments for a long time while considering their risk tolerance and saving habits, to use private financial consultants to help them create an investment portfolio that will lower

their risk exposure, to avoid investing in highly volatile securities, to gather as much information as they can before making an investment, and to conduct periodic reviews of their investments and risk analysis.

To manage the risk associated with investments, investors should carefully and sensibly diversify their mutual fund holdings. Additionally, it is advised that investors develop a practice of regular saving because little sums of money saved over time will grow into larger capital bases, allowing them to continually make extra income despite shifting market conditions. One of the main recommendations is to put a decent portion of your money in liquid securities so that you can cover any unforeseen circumstances.

CONCLUSION

The study has highlighted the variations in investment behaviour among distinct classes of investors based on demographic variations. According to the report, investors are aware of the numerous mutual fund plans.

Investors are drawn to mutual funds by their superior return, safety, and tax advantages. The nation's mutual fund industry has a lot to learn about and anticipate. The business is becoming more important as the country's working class and youth population develop, despite the obstacles it faces in terms of lack of awareness and poor financial literacy.

References

1. Praba, R. (2018). Investors' Decision Making Process and Pattern of Investments - A Study of Individual Investors in Coimbatore. *SIES Journal of Management*, VII(2),1-12.
2. Prabhu & Vechalekar (2013), "Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds", *IOSR Journal of Economics and Finance (IOSR-JEF)*, e-ISSN: 2321-5933, p-ISSN: 2321-5925, pp. 66-74.
3. Purandare, J., & Mehra, G. (2010), "Indian Mutual Fund Industry - Towards 2015: Sustaining Inclusive Growth - Evolving Business Models. Mumbai: Confederation of Indian Industry and PwC".
4. Raman & Budhiraja (2015), "An Empirical Study of Investment Pattern of Retail Investors in Mutual Funds", *GCMRM2015*, MDI, Gurgaon, pp.1-13.
5. Shah, V., Zanzwar, P., & Deshmukh, P. (2011). Stages in Life Cycle and Investment Pattern of Rural Investors- A Case Study. *BVIMR Management Edge*, IV(2), 48-59.
6. Shollapur, M. R., & Kuchanur, A. B. (2008). Identifying Perceptions and Perceptual Gaps: A Study of Individual Investors in Selected Investment Avenues. *The Icfai University Journal of Behavioral Finance*, V(2), 47-64.
7. Singh and Jha (2009), "An empirical study on awareness & acceptability of mutual fund", 49-55, *Regional Student's Conference, ICWAI*.
8. Singh, Binod Kumar (2012), "A study on investors' attitude towards mutual funds as an investment option", *International Journal of Research in Management*, ISSN2249-5908, Issue2, Vol. 2, pp.61-70.

9. Sireesha,P.B., & Laxmi,C.S.(2013). Impact of Demographics on Select Investment Avenues: A Case Study of Twin Cities of Hyderabad and Secunderabad, India. International Journal of Marketing, Financial Services & Management Research, II(6),48-55.
10. Velmurugan et. Al. (2015), “An Empirical Analysis On Perception of Investors’ Towards Various Investment Avenues”, Mediterranean Journal of Social Sciences, MCSER Publishing, Rome-Italy, ISSN 2039-2117 (online), ISSN2039-9340 (print),Vol 6 No 4,pp.427-435.
11. Vyas, Ravi(2012) ,“Mutual Fund Investor’s Behavior and Perception In Indore City”, Research world--Journal of Arts, Science & Commerce, E-ISSN2229-4686, ISSN2231-4172, Vol.– III, Issue–3(1), pp. 67-75.

