



# INVESTOR'S BEHAVIOR TOWARDS MUTUAL FUND INVESTMENTS

**Dr.V.Sridevi**

*Associate Professor, Department of Commerce, Nehru Arts and Science College, Coimbatore, Tamilnade*

## ABSTRACT

*A Mutual Fund is an investment medium that pools funds from various investors and invests the funds in stocks, bonds, short-term money-market instruments, other securities or assets or some combination of these investments. The primary goal behind investment in mutual fund is to earn goods return with comparatively low risk. The main objective of the study is to examine the investor's behaviour towards mutual fund investment. A sample of 150 individual investors has been selected for this purpose. Statistical tools like Percentage Analysis, Chi-Square Test and Garrett Ranking Technique were used to analysis the collected data. It can be concluded that the Indian mutual fund industry is growing at a good pace.*

**KEY WORDS:** *Mutual Fund, Investor's Behaviour and Investment.*

## 1. INTRODUCTION

Savings is an important part of the economy of any nation. Savings represents that part of disposable income that is not spent on final Consumption of goods and services. It is defined as the difference between income and consumption. During pre-independence period in India, people spent most of their income on consumption and only a small amount of income was left in the form of savings. As a result, the saving rate was very low. Since the attainment of Independence in 1947, the major objective of the government has been the promotion of savings and capital formations.

Investment is the sacrifice of certain present value for the uncertain future reward. Investment is an activity that is engaged in by people who have savings. Savings channelized into investment. By allocating the saved money in to different investment avenues directly it helps the growth of our country. Indian financial service sector provides multiple avenues to the investors. The main objective of the investor is to minimize the risk and maximize the return. Mutual funds are one of the most appropriate investment opportunity for common investors. As financial markets mechanism

become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. In a modern economy financial institutions act as an intermediaries between lenders and borrowers. Financial markets are the backbone of an economic system and it helps of a series of channels through savings of the people is made available for industrial and commercial enterprises.

## 2. OBJECTIVES OF THE STUDY

- To study the investment pattern of the mutual fund investors in Kerala.
- To examine the investor's behaviour towards mutual fund investment.
- To identify the factors that influences the choice of investment of the individual Investors

## 3. METHODOLOGY

Primary data have been collected from individual investors through a sample survey. A sample of 150 individual investors has been selected for this purpose. A structured interview schedule has been used. Secondary data from the publications of government of India, Government of Kerala, RBI,

SEBI, and AMFI and also from relevant reports, periodicals and news papers are collected and analyzed.

The northern region of Kerala is selected for the study, it consists of five districts Malapuram, Kannur, Kozhikode, Wayanad and Palakkad. Three districts like Malappuram, Kozhikode and Palakkad selected at random from northern region. The researcher made use of the SPSS package for applying tools like Percentage Analysis, Chi-Square Test and Garrett Ranking Technique.

**4. REVIEW OF LITERATURE**

**Balaji K** (2005) conducted a study entitled “A survey on investment pattern in debt scheme of mutual fund investments” in Chennai with special reference to Karvy Consultants Limited. This study was undertaken to know the Investment pattern of investors in the debt scheme of mutual funds. The choice of Investment Avenue of individual investors mainly depends on annual income and the percentage of income allotted for savings. The survey on investment pattern in debt scheme of mutual funds gives an idea of the investor’s choice based on returns, rating of Mutual funds etc., particularly relating to city.

**Singh and Jha** (2009) conducted a study on awareness & acceptability of mutual funds and

found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The investors’ will also consider various factors before investing in mutual fund.

**Sireesha & Laxmi** (2013) researched the impact of demographics on the investment avenues that are selected by investors in the cities of Hyderabad and Secunderabad. They found that gender, age, and peer group influence the investment decision and also investors are less concerned about money multiplication and liquidity but want their money to be secure and risk free. In this paper, an attempt is made by the author, mainly to study the behavior of investors regarding mutual funds.

**Sundar and Prakash** (2014) in their study examined the awareness among the investor community in choosing the best mutual fund scheme as it conducted a comparative analysis of the mutual funds of three AMCs. This study also showed that much information about mutual funds is not available publicly. There is no information on fund styles or comprehensive league tables to allow the comparison of mutual funds in the market.

**5. STATISTICAL ANALYSIS**

**Table - 1 Demographic Profile**

| Demographic Factors       | Category            | No. of Investors | Percentage |
|---------------------------|---------------------|------------------|------------|
| Gender                    | Male                | 117              | 78         |
|                           | Female              | 33               | 22         |
|                           | Total               | 150              | 100        |
| Age                       | Below 30            | 23               | 15         |
|                           | 31-40               | 80               | 53         |
|                           | 41-50               | 34               | 23         |
|                           | Above 50            | 13               | 9          |
|                           | Total               | 150              | 100        |
| Educational Qualification | Plus two            | 10               | 7          |
|                           | Graduate            | 69               | 46         |
|                           | Post Graduate       | 50               | 33         |
|                           | Professional degree | 21               | 14         |
|                           | Total               | 150              | 100        |
| Marital Status            | Married             | 108              | 72         |
|                           | Unmarried           | 42               | 28         |
|                           | Total               | 150              | 100        |

Source: Primary data

**Table - 2**

**Association between Gender and Investor’s Behaviour towards Mutual Fund Investments**

| Gender | Investor’s Behaviour |        |      | Total |
|--------|----------------------|--------|------|-------|
|        | Low                  | Medium | High |       |
| Male   | 30                   | 53     | 34   | 117   |
| Female | 13                   | 10     | 10   | 33    |
| Total  | 43                   | 63     | 44   | 150   |

Source: Primary data

Calculated value : 5.83  
 Level of significance : 5%  
 Degree of freedom : (r-1)\*(c-1)  
 : (2-1)\*(3-1)  
 : 1\*2  
 : 2  
 Table value : 9.488

**Table - 3**

**Association between Age and Investor’s Behaviour towards Mutual Fund Investments**

| Age      | Investor’s Behaviour |        |      | Total |
|----------|----------------------|--------|------|-------|
|          | Low                  | Medium | High |       |
| Below 30 | 6                    | 9      | 8    | 23    |
| 31-40    | 21                   | 33     | 26   | 80    |
| 41-50    | 7                    | 19     | 8    | 34    |
| Above 50 | 2                    | 6      | 5    | 13    |
| Total    | 36                   | 67     | 47   | 150   |

Source: Primary data

Calculated value : 2.75  
 Level of significance : 5%  
 Degree of freedom : (r-1)\*(c-1)  
 : (3-1)\*(3-1)  
 : 2\*2  
 : 4  
 Table value : 9.488

**Table - 4**

**Association between Educational Qualification and Investor’s Behaviour towards Mutual Fund Investments**

| Educational Qualification      | Investor’s Behaviour |        |      | Total |
|--------------------------------|----------------------|--------|------|-------|
|                                | Low                  | Medium | High |       |
| Plus Two                       | 9                    | 5      | 3    | 17    |
| Graduate                       | 13                   | 33     | 20   | 66    |
| Post graduate and Professional | 12                   | 28     | 27   | 67    |
| Total                          | 34                   | 66     | 50   | 150   |

Source: Primary data

Calculated value : 10.55  
 Level of significance : 5%  
 Degree of freedom : (r-1)\*(c-1)  
 : (3-1)\*(3-1)  
 : 2\*2  
 : 4  
 Table value : 9.488

**Table - 5 Occupation**

| Occupation   | No. of Investors | Percentage |
|--------------|------------------|------------|
| Professional | 18               | 12         |
| Business     | 54               | 36         |
| Salaried     | 72               | 48         |
| Retired      | 6                | 4          |
| Total        | 150              | 100        |

Source: Primary data

**Table - 6**  
**Association between Occupation and Investor's Behaviour towards Mutual Fund Investment**

| Occupation   | Investor's Behaviour |        |      | Total |
|--------------|----------------------|--------|------|-------|
|              | Low                  | Medium | High |       |
| Professional | 5                    | 8      | 5    | 18    |
| Business     | 15                   | 12     | 27   | 54    |
| Salaried     | 18                   | 23     | 31   | 72    |
| Retried      | 1                    | 2      | 3    | 6     |
| Total        | 39                   | 45     | 66   | 150   |

Source :Primary data

Calculated value : 2.372  
 Level of significance : 5%  
 Degree of freedom : (r-1)\*(c-1)  
 : (3-1)\*(3-1)  
 : 2\*2  
 : 4  
 Table value : 9.488

**Table - 7 Annual Income**

| Annual income | No. of Investors | Percentage |
|---------------|------------------|------------|
| Below 200000  | 38               | 25         |
| 200000-500000 | 69               | 46         |
| 500000-800000 | 31               | 21         |
| Above 800000  | 12               | 8          |
| Total         | 150              | 100        |

Source:Primary data

**Table - 8**  
**Association between Annual Income and Investor's Behaviour towards Mutual Fund Investments**

| Annual income | Investor's Behaviour |        |      | Total |
|---------------|----------------------|--------|------|-------|
|               | Low                  | Medium | High |       |
| Below 200000  | 12                   | 17     | 9    | 38    |
| 200000-500000 | 18                   | 27     | 24   | 69    |
| 500000-80000  | 9                    | 12     | 10   | 31    |
| Above 800000  | 3                    | 1      | 8    | 12    |
| Total         | 42                   | 57     | 51   | 150   |

Source:Primary data

Calculated value : 13.333  
 Level of significance : 5%  
 Degree of freedom : (r-1)\*(c-1)  
 : (3-1)\*(3-1)  
 : 2\*2  
 : 4  
 Table value : 9.488

**Table - 9 Annual Savings**

| Annual income   | No. of Investors | Percentage |
|-----------------|------------------|------------|
| Less than 50000 | 108              | 72         |
| 50001-100000    | 15               | 10         |
| Above 100000    | 27               | 18         |
| Total           | 150              | 100        |

Source:Primary data

**Table - 10 Objectives of Savings of the Investment**

| Objectives of Savings     | No. of Investors | Percentage |
|---------------------------|------------------|------------|
| To provide for retirement | 47               | 31         |
| For Tax Deduction         | 37               | 25         |
| To Meet Contingencies     | 27               | 18         |
| For Children's Education  | 39               | 26         |
| Total                     | 150              | 100        |

Source:Primary data

**Table – 11 Preferred Savings Avenue of the Investors (Garrett Ranking)**

| Savings Avenue | Total Score | Mean Score | Rank |
|----------------|-------------|------------|------|
| Bank Deposits  | 6935        | 69.35      | 1    |
| Life Insurance | 6438        | 64.38      | 2    |
| Pension and PF | 3973        | 39.73      | 7    |
| Shares         | 4905        | 49.05      | 5    |
| Mutual Funds   | 4728        | 47.28      | 6    |
| Postal Savings | 5956        | 59.56      | 3    |
| Real Estate    | 3843        | 38.43      | 8    |
| Gold           | 5931        | 59.31      | 4    |

Source: Primary data

**Table – 12 Reasons for Investing in Mutual Funds**

| Reasons                 | No. of Investors | Percentage |
|-------------------------|------------------|------------|
| Professional Management | 27               | 18         |
| Diversification         | 19               | 13         |
| Return                  | 56               | 37         |
| Low Cost                | 18               | 12         |
| Liquidity               | 13               | 9          |
| Transparency            | 3                | 2          |
| Flexibility             | 12               | 8          |
| Well regulated          | 2                | 1          |
| Total                   | 150              | 100        |

Source: Primary data

**Table – 13 Most Preferred Scheme by Struture**

| Scheme          | No. of investors | Percentage |
|-----------------|------------------|------------|
| Open ended      | 77               | 51         |
| Closed ended    | 58               | 39         |
| Interval scheme | 15               | 10         |
| Total           | 150              | 100        |

Source:Primary data

**Table – 14 Most Preferred Scheme by Investment Objectives**

| Scheme                 | No. of Investors | Percentage |
|------------------------|------------------|------------|
| Growth Scheme          | 78               | 52         |
| Income Scheme          | 32               | 21         |
| Balance Scheme         | 9                | 6          |
| Money Market Scheme    | 6                | 4          |
| Tax Savings            | 15               | 10         |
| Sector Specific Scheme | 6                | 4          |
| Others                 | 4                | 3          |
| Total                  | 150              | 100        |

Source:Primary data

**Table – 15 Reasons for Investing in Mutual Funds (Garrett Ranking)**

| Reasons                  | Total Score | Mean Score | Rank |
|--------------------------|-------------|------------|------|
| Safety                   | 4707        | 47.07      | 4    |
| Flexibility              | 4460        | 44.60      | 7    |
| Capital Appreciation     | 4279        | 42.79      | 8    |
| Tax Benefit              | 5685        | 56.85      | 1    |
| Liquidty                 | 5588        | 55.88      | 2    |
| Good Return              | 5490        | 54.90      | 3    |
| Professional Management  | 4566        | 45.66      | 6    |
| Diversification Benefits | 4668        | 46.68      | 5    |

Source: Primary data

## 6. FINDINGS OF THE STUDY

- Mutual Fund Investemnt widely prevalent among Man (78% )
- There is no relationship between Gender of the Investor and their Behaviour towards Mutual Fund Investments.
- Majority of the Investors ( 53%) are belonging to the age group of 31-40
- There is no relationship between Age of the Investor and their Behaviour towards Mutual Fund Investements.
- 46% of the investors had studied up to the Graduation Level
- There is significant relationship between Educational Qualification of the Investors and their Behaviour towards Mutual Fund Investments.
- Most of the investors (72%) are married
- There is no relationship between Occupation of the Investors and their Behaviour towards Mutual Fund Investments .
- 46% of the investor's belongs to the income group of 200000-500000
- There is significant relationship between Annual Income of Investors and their Behaviour towards Mutual Fund Investments.
- Majority of investor's (72%) having their annual savings less than 50000
- A good number of the investors (31%) save their money for their retirement life.
- Investors gave first rank to Bank Deposit savings avenue for the investement purpose and the last rank to Real Estate.
- Main reason for investing in Mutual Fund is Higher Return (37%)
- Open Ended Scheme is the most preferred scheme by the investors(51) based on the Structure of Mutual Fund.
- Most preferred scheme by investment objectives is Growth Scheme (52 %)
- Investors gave first rank to Tax Benefit for the investment purpose and the last rank to Capital Appreciation.

## 7. CONCLUSION

Indian financial system has undergone tremendous change over the last few decades. Indian household savings play an important role in the capital formation process of the country and this was sucessfully done by the mutual fund industry, they channelize the savings to capital market in India and the percentage of this was very high in recent years this is because of the Indian mutual fund market maintain high professional and ethical standards in the market.

It can be concluded that the Indian mutual fund industry is growing at a good pace. But large segment of investor are still outside the umbrella of the industry. The reach of the fund houses to different segments of investors is still a key

challenge. One possible solution could be increasing financial knowledge and awareness to stimulate investors in mutual fund investment. This will attract investors towards mutual fund investment. The limited distribution network and investor service can be enhanced for wider reach beyond large cities.

## REFERENCES

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