



CUSTOMER'S INVESTMENT BEHAVIOR IN FINANCIAL MARKETS: AN EMPIRICAL STUDY FROM MUTUAL FUNDS PERSPECTIVE

¹**Prof. (Dr.) Rajesh K Yadav**

¹ *Professor & Director, JLU School of Commerce & Economics, Jagran Lakecity University, Bhopal (M.P.), India.*

²**Dr. Nishant Dabhade**

² *Assistant Professor, JLU School of Commerce & Economics, Jagran Lakecity University, Bhopal (M.P.), India.*

ABSTRACT

Mutual fund industry in India is rising hastily and investment in mutual fund is less risky than financing in stocks and is therefore a safer option for risk hostile investors. Mutual Funds offer a stage for an investor to contribute in the Indian capital market with specialized fund management regardless of the amount invested. Monthly Income Plan funds provide monthly returns and invest majorly in debt oriented instruments with petite exposure to equity. Though it has been seen that most of the investors are not aware of the paybacks of investment in mutual funds. This is replicated in the study to shape this research paper. This paper makes an attempt to study the outlook of customers towards investment with special reference to mutual funds. The findings will support mutual fund companies to classify the areas required for enhancement in order to create greater consciousness among investors.

KEYWORDS: *Mutual funds, financial markets, Investment, Investor's behavior etc.*

INTRODUCTION

Share market plays a very vital role in growing one country's economy. It provides a means for the investors to extract the best from their idle money kept with them which in turn is used by the corporate in productive activity. Mutual Fund is the safest tool to invest the money in share market as it carries less risk and has promising returns. Thus keeping the above thing in mind, this report has been prepared to understand the mindset of the investors towards mutual fund and this project will also entail the ways through which the investment in mutual funds can be increased so as to further help in growth of the country's economy.

Company Profile & Scope of the Study

Karvy Stock Broking Limited is one of the top stock brokers in India. The Karvy Group is a premier integrated financial services provider, ranked among the top-5 in the country across its business segments. The

Group services over 70 million individual investors in various capacities, and provides investor services to over 600 corporate houses. Karvy Group proven its presence through a wide network of over 450 branches, (or 900 offices) covering in excess of 400 cities and towns.

The research covers the understanding of the stock market by common individuals and their attitude towards mutual fund investment, their mind set towards the industry and their involvement in this economic process to make use of their redundant money. The study area is confined within the boundaries of city of Bhopal.

Mutual Fund

Mutual fund is an investment option, which collects money from investors with common deal objectives. It then invests their money in numerous assets, in accord with the stated motives of the scheme. The investments

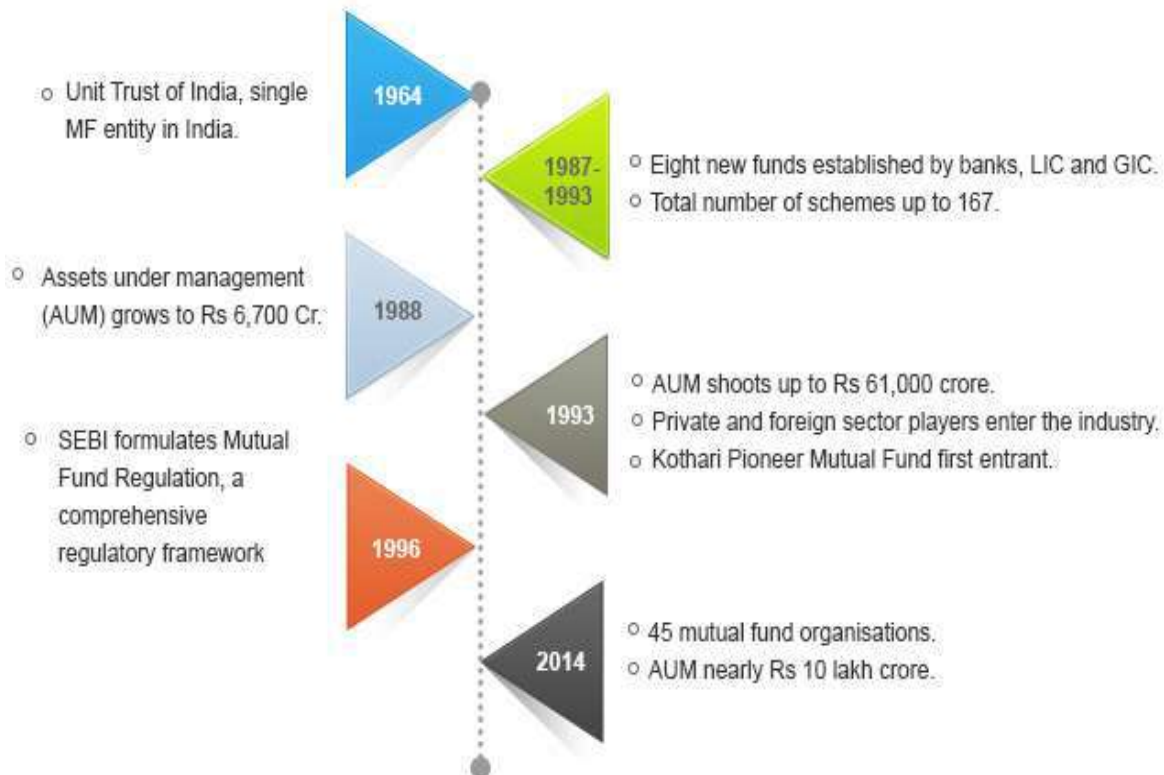


are completed by an 'asset management company' or AMC. Investing in mutual funds provides a mass of benefits.

- Professional Investment Management:

- Low Investment Threshold
- Convenience

HISTORY OF MUTUAL FUNDS IN INDIA



Source: Kotak Securities

Advantages of Mutual Funds

- **Liquidity:** At any point in time, you can get your money back at the principal NAV (Net Asset Value) from the Mutual Fund itself in open-ended patterns. This makes mutual fund investments extremely liquid.
- **Variety:** In mutual funds, you have a number of schemes to choose from, which may invest in entire range of industries and sectors, diverse kinds of assets, and so on. You can discover a mutual fund that ties just about any speculation strategy you select.
- **Transparency:** Regulations of SEBI for mutual funds have made the industry very translucent. You can track the investments that are made on your behalf to understand the sectors and stocks being invested in.

LITERATURE REVIEW

Gupta (1994) plotted household investor to find investors' likings to invest in mutual funds and other available fiscal assets. The results of the study were more pertinent, at that time, to the policy creators and mutual funds to plan the financial goods for the future.

Ippolito (1992) refers that an stakeholder is ready to participate in that fund or structures which have caused in good rewards and most investors' are fascinated by those funds or schemes that are acting better over the worst.

De Bondt and Thaler (1985) stated that mean return in values of stock is supported by investor's regression which is based upon investor's mindset to overvalue firm's recent act in forming future predictable results which is also identified as endowment effect.



Shanmugham (2000) showed a survey of individual investors with the motive to find out what evidence source investor depends on. The results clarified that they are inexpensive, sociological and emotional factors which regulates investment decisions.

Sujit Sikidar and Amrit Pal Singh (1996) had shown a survey to peep in to the social aspects of the investors of the North-Eastern area in direction of mutual fund investment. The survey displayed that because of tax assistances mutual funds are chosen by the salaried and self-employed persons.

Madhusudhan V Jambodekar (1996) piloted his study to size-up the way of mutual funds in investors and to classify factors that impact mutual fund investment choice. The study expresses that open-ended scheme is most preferred among other things and that pay schemes and open-ended schemes are favored over closed- ended and progress schemes.

Anjan Chakarabarti and Harsh Rungta (2000) highlighted the position of brand in ascertaining capability of asset management companies.

Syama Sunder (1998) piloted a survey with a motive to get a view into the processes of private sector mutual fund with reference to Kothari Pioneer. The survey expresses that knowledge about mutual fund concept was disappointing during that time in small cities like Visakapatanam.

OBJECTIVES OF THE STUDY

1. To study the outlook of customers towards investment with special reference to Mutual funds.

2. To discover the relationship between the risk and return activities of the investor.

RESEARCH METHODOLOGY

Present research study is based on primary. Questionnaire is used as a data collection tool to collect the response from the respondents.

HYPOTHESIS:

- H1:- Customer takes mutual funds as better investment instrument.
- H2:- Individual has tendency to invest in share markets.

Sample Area: Bhopal

Sampling Method: The sample was collected through convenient sampling. The sample includes the customers of Karvy Stock Broking Limited and is the investors in share market.

Sample Size: 100 respondents

Sampling Unit: Businessmen, Government Servant, Retired Individuals, Others

Data interpretation: For case of understanding and making meaningful inferences, the data has been compiled in tables/graphs/diagrams.

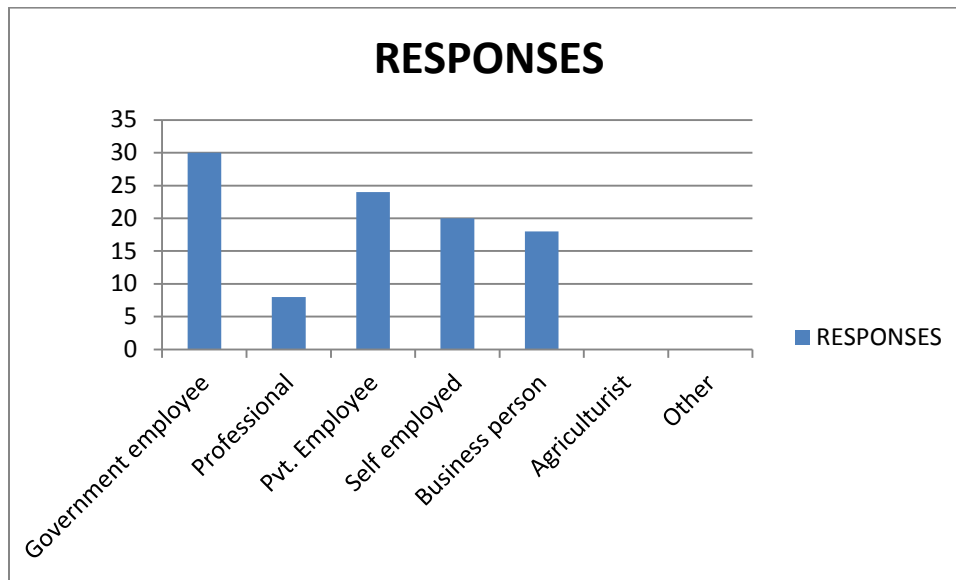
DATA ANALYSIS & INTERPRETATION

Q1. You belong to which one of the following category:

- Government employee / Professional / Private Employee / Self-employed / Business person / Agriculturist / other

TABLE NO.1

OPTIONS	RESPONSES
Government employee	30
Professional	8
Pvt. Employee	24
Self employed	20
Business person	18
Agriculturist	0
Other	0

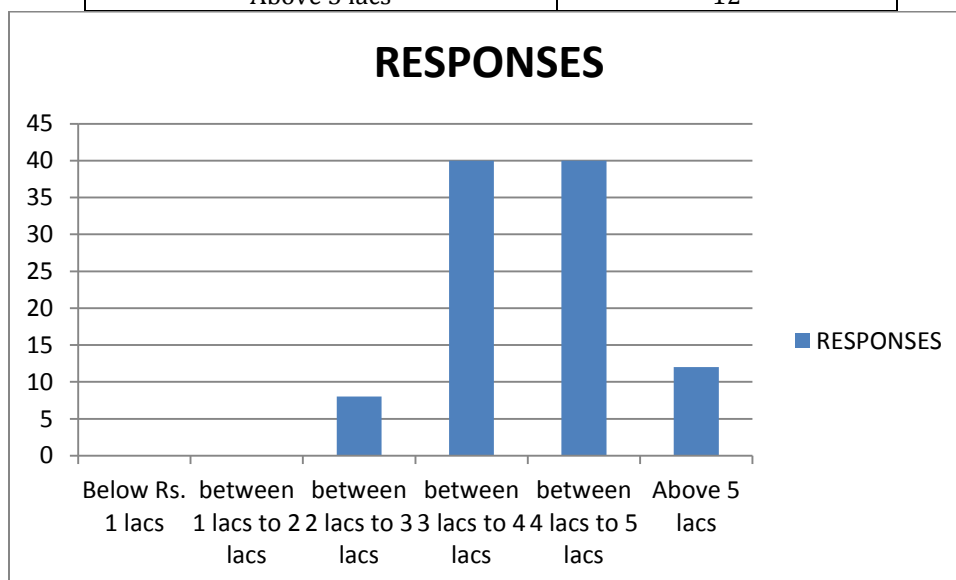


Q2. Your annual income:

- Below Rs. 1 lacs / Between 1 lacs to 2 lacs / Between 2 lacs to 3 lacs / Between 3 lacs to 4 lacs / Between 4 lacs to 5 lacs / above 5 lacs

TABLE 2

OPTION	RESPONSES
Below Rs. 1 lacs	0
between 1 lacs to 2 lacs	0
between 2 lacs to 3 lacs	8
between 3 lacs to 4 lacs	40
between 4 lacs to 5 lacs	40
Above 5 lacs	12



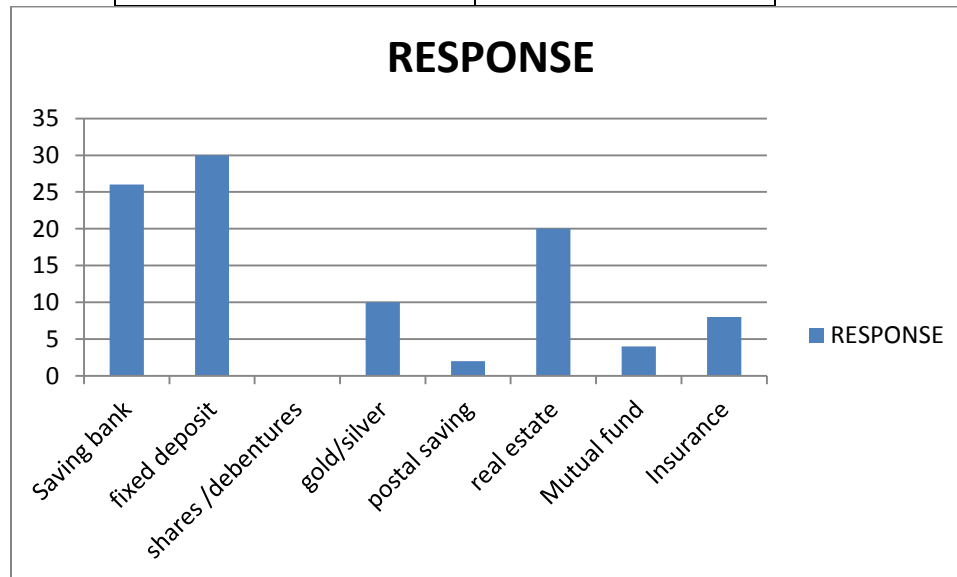


Q3. Where do you invest your savings?

- Saving bank / Fixed deposit / Shares or debentures / Gold or silver / Postal saving / Real estate / Mutual fund / Insurance

TABLE 3

OPTION	RESPONSE
Saving bank	26
fixed deposit	30
shares /debentures	0
gold/silver	10
postal saving	2
real estate	20
Mutual fund	4
Insurance	8

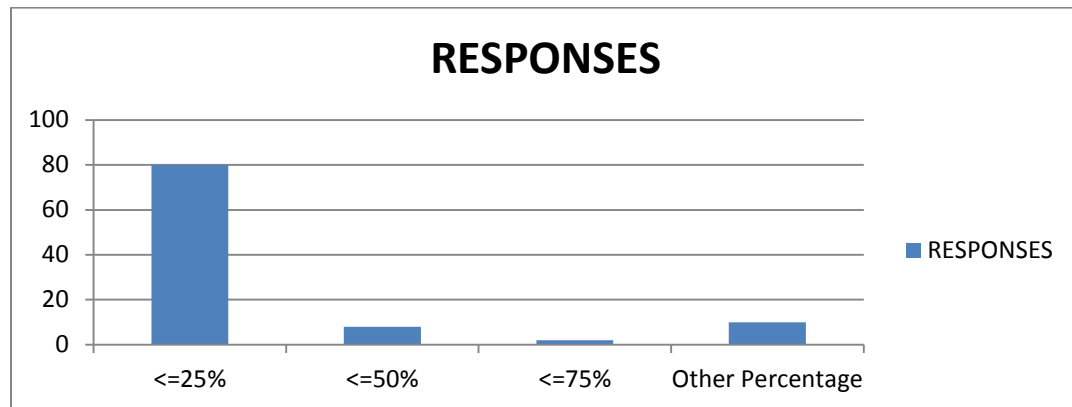


Q4. What is the percentage of saving from your total income?

- $\leq 25\%$
- $\leq 50\%$
- $\leq 75\%$
- Other percentage

TABLE 4

OPTION	RESPONSES
$\leq 25\%$	80
$\leq 50\%$	8
$\leq 75\%$	2
Other Percentage	10

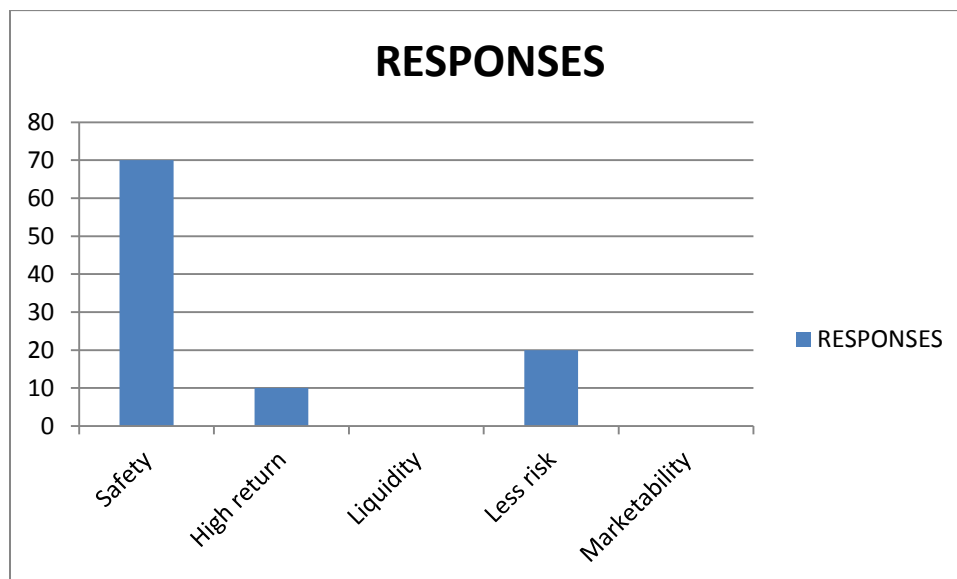


Q5. What are the factors to which you give priority when you invest:

- Safety / High return / Liquidity / Less risk / Marketability

TABLE 5

OPTIONS	RESPONSES
Safety	70
High return	10
Liquidity	0
Less risk	20
Marketability	0

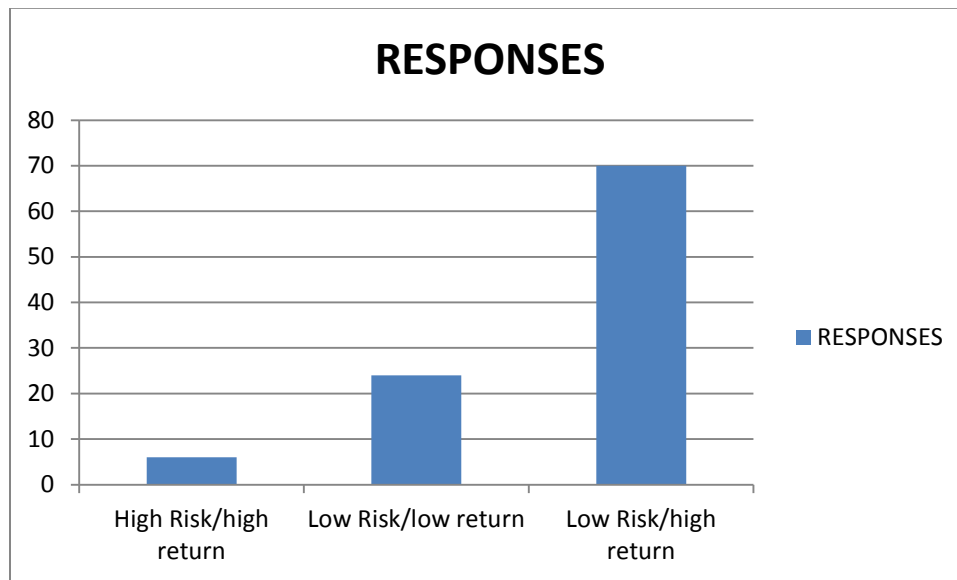


Q6. You invest in the financial instruments / securities which give:

- High Risk/high return
- Low Risk/low return
- Low Risk/high return

**TABLE 6**

OPTION	RESPONSES
High Risk/high return	6
Low Risk/low return	24
Low Risk/high return	70

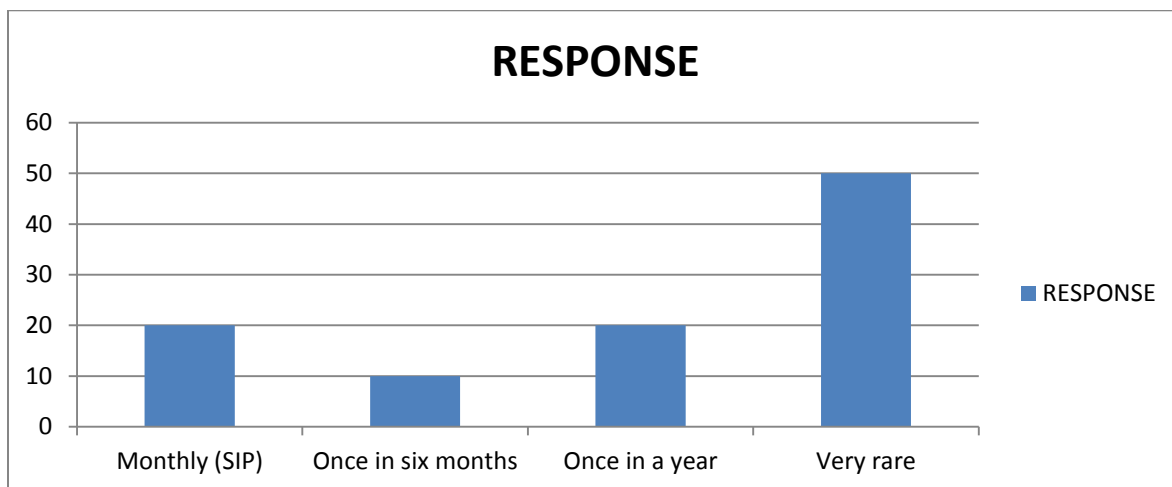


Q7. How is your investing pattern?

- Monthly (SIP) / Once in six months / Once in a year / Very rare

TABLE 7

OPTION	RESPONSE
Monthly (SIP)	20
Once in six months	10
Once in a year	20
Very rare	50



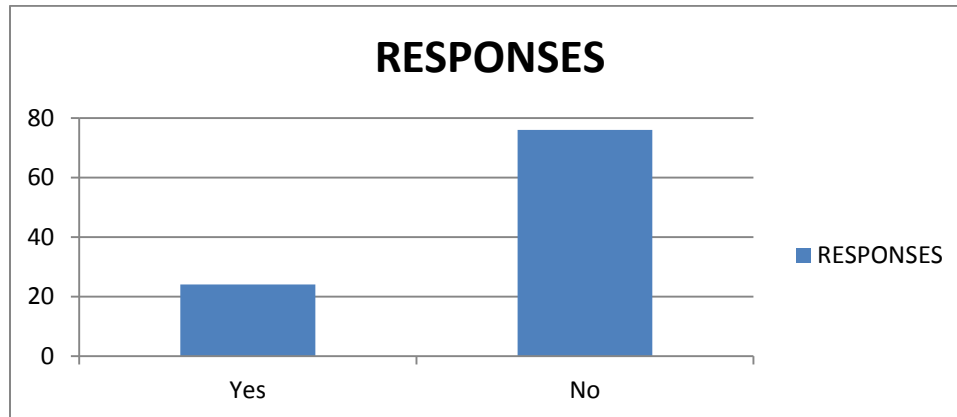


Q8. Do you know about the share market and its functioning?

- Yes / No

TABLE 8

OPTION	RESPONSES
Yes	24
No	76

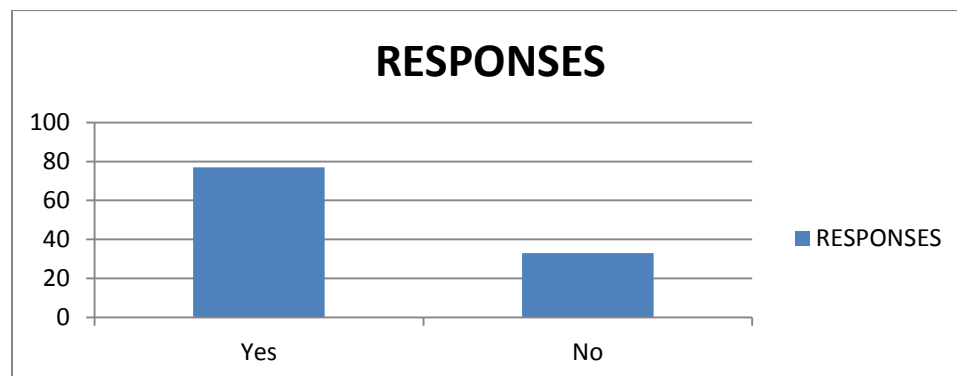


Q9. Are you aware of the fact that mutual fund companies (AMC's) invest your money in share market?

- Yes / No

TABLE 9

OPTION	RESPONSES
Yes	77
No	33

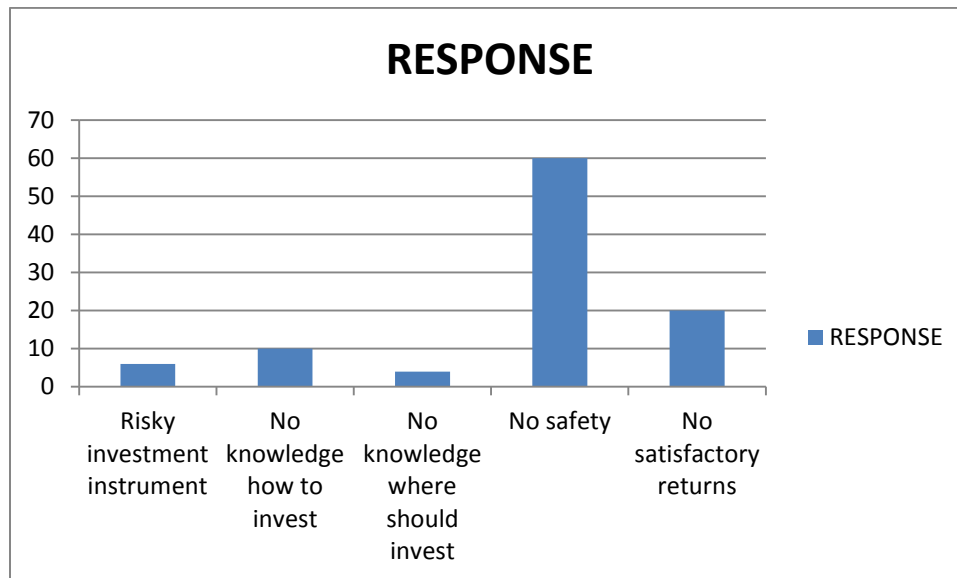


Q10. You have not invested in share market because:

- Risky investment instrument / No knowledge how to invest / No knowledge where should invest / No safety / No satisfactory returns

TABLE 10

OPTION	RESPONSE
Risky investment instrument	6
No knowledge how to invest	10
No knowledge where should invest	4
No safety	60
No satisfactory returns	20

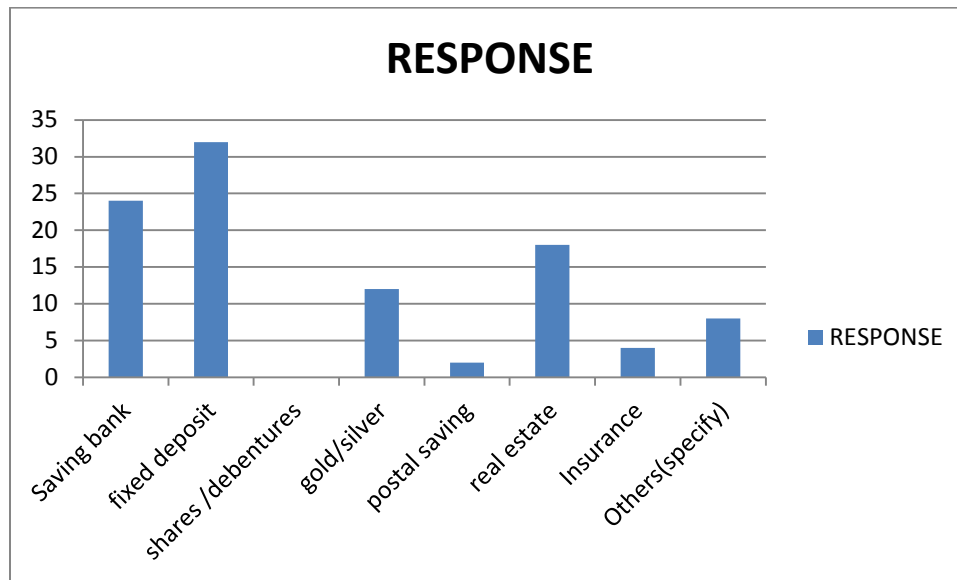


Q11. According to you which one does rate as the best investment instrument?

- Saving bank / Fixed deposit / Shares or debentures / Gold or silver / Postal saving / Real estate / Mutual fund / Insurance

TABLE 11

OPTION	RESPONSE
Saving bank	24
fixed deposit	32
shares /debentures	0
gold/silver	12
postal saving	2
real estate	18
Insurance	4
Others(specify)	8



FINDINGS

Through this research the inferences drawn are:-

- ❖ Hypotheses no. 1 “Customer take mutual funds as better investment instrument” stands false as it can be seen from Q. 11, people believe that fixed deposit is best investment instrument.
- ❖ Hypotheses no. 2 “Individual has tendency to invest in share markets” stands false as it can be seen from Q. 10, people believe that share market has not safety and does not provide the satisfactory returns.
- ❖ People prefer to put their money in fixed deposit and in saving account as there priority is safety rather than returns as seen in ques.3 and ques. 11.

SUGGESTIONS

1. Very few people come to know about mutual funds from Newspaper, television and journals, thus, adequate awareness programmes by AMFI should be conducted about the advantages of investing in mutual funds and should provide assistance to public regarding different new schemes.
2. SEBI and Brokers should come up with some aggressive marketing strategies to penetrate the Indian market which has a great potential to tap onto.
3. People do not have lot knowledge about mutual funds and thus should be educated.

CONCLUSION

Mutual Funds signify most suitable investment prospect for most investors. As financial markets become more refined and complex, investors require a financial intermediary who offers the essential knowledge and proficient expertise on fruitful investing. As the investor constantly try to get maximum returns and minimize the risk. Mutual fund satisfies these necessities by offering lucrative returns with less risk. The fund industry has already surpassed the banking industry; more funds are being under mutual fund management than deposited with banks. With the advent of tough rivalry in this sector mutual funds are introducing a multiplicity of schemes which caters to the need of the particular class of investors. Risk takers for receiving capital appreciation should invest in growth, equity schemes. Investors who require regular income should invest in income plans.

LIMITATIONS

1. Time frame is limited for making meaningful inferences.
2. All the possible efforts have been taken to reduce/avoid the biasness by the respondents, but it may still include some.
3. The interpretations are solely based on researcher understanding.
4. Respondents were selected based on convenience sampling; hence the drawbacks attached to the convenience sampling shall accrue to the research.



5. Geographical area is confined to Bhopal, therefore the findings/ suggestions should not be generalised.

REFERENCES

1. Agapova, Anna, (2011), "The Role of Money Market Mutual Funds in Mutual Fund Families", *Journal of Applied Finance*, Vol. 21, Issue. 1, pp. 87-102.
2. Agarwal, Vikas; Boyson, Nicole M.; Naik, Narayan Y, (2009), "Hedge Funds for Retail Investors? An Examination of Hedged Mutual Funds", *Journal of Financial & Quantitative Analysis*, Vol. 44, Issue 2, pp. 273-305.
3. Badrinath, S.G & Gubellini, S, (2011), "On the characteristics and performance of long-short, market-neutral and bear mutual funds", *Journal of Banking & Finance*, Vol. 35 Issue 7, pp.1762
4. Binod Kumar Singh (2011), "A Study on Investors' Attitude towards Mutual Funds as an Investment Option", *JOURNAL OF ASIAN BUSINESS STRATEGY*, VOL. 1(2): 8-15.
5. Dr.Nishi Sharma (2009), "Indian Investors Perception towards mutual funds", *Business Management Dynamics* Vol.2, No.2, Aug 2012, pp.01-09.
6. Dranikoff L, Koller, T. and Schneider, A, (2002), "Divestiture: Strategy's Missing Link", *Harvard Business Review*, 80 (5).
7. Gil-Bazo, Javier; Ruiz & Verd, Pablo, (2009), "The Relation between Price and Performance in the Mutual Fund Industry", *Journal of Finance*, Vol. 64, Issue 5, pp. 2153-2183.
8. <https://www.kotaksecurities.com/ksweb/Research/Investment-knowledge-Bank/introduction-to-mutual-funds>
9. Karvy Promoters and Management Team, Retrieved from <https://www.karvy.com/promoters-management-team>
10. Karvy Story, Retrieved from, <https://www.karvy.com/our-story>
11. Raja J, Ganesha (2000), "Mutual Funds, the Millennium Strategy", *The Journal of The All India Management Association*, Vol. 39(10), pp.42-47.
12. Rajan, Mehta (2003), "Indian Mutual Fund Industry: Challenging Issues", *Chartered Financial Analyst*, Vol. IX, pp. 32-33. [12] 12.Singh, Chander, 2004, "Performance of mutual funds in India – an empirical evidence", *ICFAI journal of applied finance* December, pp. 81-98.
13. Satyajit, Dhar (1994), "Mutual Funds in India- a Close Look", *Finance India*, Vol. VIII pp. 675-679.
14. Singh, B. K. and Jha, A.K. (2009), "An empirical study on awareness & acceptability of mutual fund", *Regional Students Conference, ICWAI*, pp. 49-55.
15. Subbash C. Jain, (2000) "Marketing Planning and Strategy", *South Western College Publishing*, Sixth Edition.
16. Vennila, R. Nandhagopal (2012) "Investors' Preference towards Mutual Funds in Coimbatore City", *European Journal of Social Sciences* ISSN 1450-2267 Vol.29 No.1 (2012), pp. 115-125