



INVESTOR'S BEHAVIOR TOWARDS MUTUAL FUND INVESTMENTS

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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.

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