



A STUDY ON INVESTOR'S BEHAVIOUR TOWARDS MUTUAL FUND

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ABSTRACT

The article aim is to study the concept and terms dealing with “Mutual Fund” and the role it plays in the individual’s mind. A Mutual Fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. The Indian Mutual Fund Industry is more than four-decade-old and is a fast growing industry in the financial sector. Mutual Fund schemes have become the most preferred investment avenue in the recent past. Considering the high returns, liquidity, safety, professional management and comparative low risk, investor's prefer the Mutual Fund route for their investment planning. This article studies about the investment methods and also various schemes offered by the IIFL (Pollachi). The sample size was 100. The research approach used here is the survey method.

KEYWORDS: Fund, Investment, Shares, Schemes, Debentures, Money Market

1. INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money collected & invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and its unit holders in proportion to the number of units owned by them (pro rata) shares the capital appreciation realized by the scheme. Thus, a Mutual Fund is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds. Each Mutual Fund scheme has a defined investment objective and strategy

A mutual fund is the answer to all these situations. It appoints professionally qualified and experienced staff that manages each of these functions on a full time basis. The large pool of money collected in the fund allows it to hire such staff at a very low cost to each investor. In effect, the mutual fund vehicle exploits economies of scale in all three areas - research, investments and transaction processing. While the concept of individuals coming together to invest money collectively is not new, the mutual fund in its present form is a 20th century phenomenon. In fact, mutual funds gained popularity only after the Second World War. Globally, there are thousands of firms offering tens of thousands of mutual funds with different investment objectives. Today, mutual funds collectively manage almost as much as or more money as compared to banks.

2. OBJECTIVE OF THE STUDY

- ❖ To analyze the awareness of mutual fund among the investors
- ❖ To find out the investors knowledge towards mutual fund
- ❖ To analyse factors stimulating investor to invest in mutual fund.

3. REVIEW OF LITERATURE

Gayathri, S., Karthika, S. & Kumar, Gajendran L. (2010) reviewed on Mutual Funds in India are financial instruments. A mutual fund is not an alternative investment option to stocks and bonds; rather it pools the money of several investors and invests this in stocks, bonds, money market instruments and other types of securities. The share value of the Mutual Funds in India is known as net asset value per share (NAV). The NAV is calculated on the total amount of the Mutual Funds in India, by dividing it with the number of shares issued and outstanding shares on daily basis. The company that puts together a mutual fund is called an AMC. An AMC may have several mutual fund schemes with similar or varied investment objectives. The AMC hires a professional money manager, who buys and sells securities in line with the fund's stated objective.

Agarwal, R K. et al. (2010) has reviewed since long the performance of mutual funds has been receiving a great deal of attention from both practitioners and academics.. From an academic perspective, the goal of identifying superior fund managers is interesting as it encourages development and application of new models and theories. Financial literature has very little studies which concentrate on multiple measures of mutual fund performance evaluation. Therefore, an attempt has been made to capture the critical measures of performance evaluation of mutual funds. Agarwal, R K. and Mukhtar, W. (2010) conducted a study; today mutual funds represent the most appropriate opportunity for most small investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. It is no wonder then that in the birth place of mutual

funds- the USA - the fund industry has already overtaken the banking industry, with more money under mutual fund management than deposited with banks. This project covers a broad range of equity growth funds. The objectives of the paper are Twenty four Equity growth funds have been studied for the application of composite portfolio performance measures like Treynor ratio, Sharpe ratio, Jenson ratio, Information ratio; M square, Specific ratio etc., and (b) evaluate the asset allocation policy for Kodak 30 Growth Mutual fund using Sharpe optimisation technique.

4. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problems. Descriptive research design is adopted for the present study. These data were collected from the employees of the company through questionnaire. The researcher adopted judgemental method for selecting the sample for the study. The size of the sample is 100. Simple percentage, chi-square, Correlation test were used for analysing the data.

5. ANALYSIS AND INTERPRETATION

Table 5.1: Socio-economic profile of the Employees

Category	Variable	No. of Respondents	Percentage
Age	Below 35 Yrs	30	30
	36 - 45 Yrs	41	41
	46 - 55 Yrs	29	29
	Above 56 Yrs	0	0
	Total	100	100
Gender	Male	75	75
	Female	25	25
	Total	100	100
Educational qualification	Matriculation	7	7
	Graduate	56	56
	Post graduate	29	29
	Professional degree	8	8
	Total	100	100
Occupation	Industry & Business	23	23
	Salaried Class	67	67
	Professional	10	10
	Total	100	100
Income level	Below Rs.200000	47	47
	Rs.200000-500000	42	42
	Above Rs.500000	11	11
	Total	100	100
Nature of Investors	Regular	67	67
	New	33	33
	Total	100	100

Source: Primary data

The above table 5.1 depicts 30 investors belong to the age group below 35 years, 41 respondent belong to the age group between 36-45 years. From the selected sample size of 100 there are more than 56 Graduates, 29 Postgraduate degree and 8 Post professionals. It is inferred that among 100 respondents, 75 of them are male and 25 of them are female. 67 are salaried class and 23 investors are Industry and Business persons and 10 investors are professional person. 47 respondents have below Rs.200000 of income and 42 respondent's income is between Rs.200000 – Rs.500000. It is inferred that 62 of the investors are regular investors and 33 of the investors are new investors.

Table 5.2 Investor Behaviour towards Mutual Funds

Category	Variable	No. of Respondents	Percentage
Reason for choosing mutual fund	High return	38	38
	Moderate return	18	18
	Safe return	44	44
	Easy procedure	0	0
	Total	100	100
Investment objective	Liquidity	0	0
	Regular income	28	28
	Capital gain	0	0
	Tax benefit	18	18
	Reasonable income & safety	54	54
	Total	100	100
Information regarding mutual funds	Print media	15	15
	Friends/Relative	17	17
	Broker	17	17
	Banks	51	51
	Total	100	100
Purchase of mutual funds	Directly from the AMC's	33	33
	Brokers	67	67
	Others sources	0	0
	Total	100	100

Source: Primary data

The above table 5.2 shows that 44 investors choose the mutual fund for the reason of safe return and 38 investors choose for high return. It is inferred that 54 investors prefer reasonable income and safety and 28 of the investors prefer regular income from investment. 51 investors get advice from

Bank, 17 investors get information about mutual funds from Friends and Brokers and 15 investors got information from their Print media. It is inferred that 67 investors are purchase from Brokers and 33 investors are purchase from directly from the AMC's.

Table: 5.3 Investors Preference towards Mutual Funds

Category	Variable	No. of Respondents	Percentage
Mutual fund scheme	Open ended scheme	64	64
	Close ended scheme	36	36
	Total	100	100
Investor investing option	SBI MF	51	51
	UTI	7	7
	HDFC	10	10
	RELIANCE	10	10
	ICICI Prudential fund	15	15
	CAN Bank MF	7	7
	Others Specify	0	0
	Total	100	100
Investors preferred fund	Regular income	49	49
	Debt	0	0
	Diversity equity	7	7
	Sector funds	19	19
	ELSS(Tax Shield)	25	25
	Total	100	100
Investors expect return	Monthly	56	56
	Quarterly	15	15
	Semi annual	23	23
	Annual	6	6
	Total	100	100
Mode of Investment	One time investment	37	37
	Systematic investment plan	63	63
	Total	100	100

Source: Primary data

From the above table it is inferred that 64 investors invest in Open ended scheme and 36 investors invest in close ended scheme. 51 investors have invested in SBI mutual fund, 15 investors in ICICI and

10 investors in HDFC and Reliance mutual funds. 49 investors prefer regular income, 25 investors prefer ELSS and 19 investors prefer sectors fund. 56 investors choose for monthly return, 23 investors choose for semi-annual return and 15 of the investors choose for Quarterly. 63 investors prefer investment is systematic investment plan and 37 investors prefer one time investment.

Table 5.4: Investor awareness about risk and Mutual Funds

Category	Variable	No. of Respondents	Percentage
Investors risk taking capacity	Low	25	25
	Medium	75	75
	High	0	0
	Total	100	100
Awareness about mutual fund	Awareness to some extended	66	66
	Unaware	18	18
	Totally unaware	16	16
	Total	100	100
Awareness about trade in Mutual fund	YES	60	60
	NO	40	40
	Total	100	100

Source: Primary data

The above table shows that 75 investors have medium level of risk taking capacity and 25 investors have high level of risk taking capacity. 66 investors are aware to some extend in mutual fund, 18 are only aware of mutual fund and 16 investors are totally unaware. 60 investors know to trade in mutual funds and 40 investors do not know to trade.

Table: 5.5 Chi square tests

H_0 – There is no significant relationship between Mutual Fund Company and the return.

H_a – There is a significant relationship between Mutual Fund Company and the return.

	Observed N	Expected N	Residual
SBI MF	50	16.7	33.3
UTI	7	16.7	-9.7
HDFC	10	16.7	-6.7
Reliance	10	16.7	-6.7
ICICI Prudential fund	14	16.7	-2.7
CAN Bank MF	9	16.7	-7.7
Total	100		

	Observed N	Expected N	Residual
Monthly	56	25.0	31.0
Quarterly	17	25.0	-8.0
Semi annual	21	25.0	-4.0
Annual	6	25.0	-19.0
Total	100		

Test Statistics

	In which Mutual fund you have invested	What type of return you expect
Chi-Square	81.560 ^a	56.080 ^b
Df	5	3
Asymp. Sig.	.000	.000

INTERPRETATION

The calculated p value is .000 at 5% significant level. Hence there is a significant relationship between the mutual fund invested and the returns expected.

Table: 5.6 Correlation Test between information about mutual fund and factor affecting investment decision

		From where you get information about mutual fund	Factors affecting investment decisions
From where you get information about mutual fund	Pearson Correlation	1	.262**
	Sig. (2-tailed)		.009
	N	100	100
Factors affecting investment decisions	Pearson Correlation	.262**	1
	Sig. (2-tailed)	.009	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

INTERPRETATION

The calculated p value is .009 so it perfectly indicates that there is a significant relationship between the information about mutual fund and factors affecting investment decision

6. SUGGESTIONS

These are the some of the suggestion to the company to improve the investors' behaviour about mutual funds.

- The company must concentrate to attract business people since the awareness level is very low among them when compared to salaried employees.
- Most of the investors are not having enough knowledge about product offered by mutual fund companies so proper guidance should be given to the investors.
- It is also clear that choosing the mutual funds scheme is highly growth dependent on income of the investors so the company can concentrate more on this scheme.
- The periodical statements of mutual fund companies are considered as a very important source of information to the investors. So it is very essential that these periodical statements should contain all the relevant information in a compiled form and managers must ensure that these statements should reach the investors in time.
- Some investors suggested that the fund values of fund should be informed to the investors through SMS. This will help the investors in keeping themselves up to date with the latest information and latest NAV's of different funds.

7. CONCLUSION

The study is made to find out the investors knowledge towards mutual fund. Today a lot of investment opportunities are available to the investors in the financial markets. Investors can invest in corporate bonds, debentures, bank deposits, post office schemes etc. But nowadays investors opt for portfolio managers to invest money on their behalf. Today many institutions are busy in providing wealth management services to the investors. But these services are very costly. The present study analyses the mutual fund investments in relation to investor's behaviour. Investors' opinion and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc.



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