

## Investment Behaviour of Investors towards Mutual Funds

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Anjali Acharya\*  
Apeksha Chanpaneri\*\*

### Introduction

The economy of India directly related to the financial sector development and as it facilitates the efficient mobilization and allocation of resources. They mobilize the saving of the household sector through various financial instruments one of them is a mutual fund. A mutual fund is a type of financial intermediary that pools the funds of investors who seek the same general investment objective and invests them in a number of different types of financial claims viz. equity shares, bonds, money market instrument. These pooled funds provide thousands of investors with proportional investment managers. The term 'mutual' is used in the sense that all its returns, minus its expenses, are shared by the fund's unit holders. According to Chandra Prasanna, "Mutual Fund is called unit trust or open-ended trust – a company that invests the fund of its subscribers in diversified securities and in turn issues units representing shares in those holdings. They make a continuous offering of new shares at net asset value and redeem the shares on demand of net asset value determined daily by the market value of the securities they hold."

### Literature Review

**Kaur & K., 2015:** The Research aimed to broaden the investor base for mutual funds in India; it remained imperative to understand the determinants of investment behaviour of investors towards mutual funds. It was found that the investment behaviour could be explained with awareness, perception and

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\* Student, NR Institute of Business Management, Ahmedabad, Gujarat, India.

\*\* Assistant Professor, GLS University, Ahmedabad, Gujarat, India.

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socioeconomic characteristics of individual investors. Better awareness related to various aspects of mutual funds would have a positive effect on investment in mutual funds. Contrary to belief, risk perception for mutual funds had no effect on the investment decision. It was also found that, the socioeconomic characteristics such as age, gender, occupation, income and education of investors had an impact on the awareness of mutual funds.

**B, Nair, Sai, & N, 2015:** The Research aimed at finding out the factors affecting investment decision on mutual funds and its preference over retail investors. It also aimed at finding about the factors that prevent the people from investing in mutual funds. It was found that the mutual funds emerged as one of the important class of financial intermediaries which cater to the needs of the retail investors. The major factors influencing the investment decision of retail investors were tax benefits, high return, price and capital appreciation. Equity-based schemes were the most preferred. Further, it was found that the bitter past experience was the major preventing factor while considering investment decisions. Investors satisfaction with regard to mutual fund was rated as average.

**Jyothi, 2015:** From the Research it was found that the investors considered the variables, viz., Fund/Scheme's performance record, favorable rating by a rating agency, scheme's portfolio of investments, reputation of the fund manager/scheme, minimum initial investment and product with tax benefits, the first six factors which were more important in their selection of fund/scheme followed by others. It was also found that the factors thus extracted have enabled to identify the types of investors who had given importance to these factors in their fund selection techniques, viz., professional investors and image-conscious investors. The first category of investors identified reputation of sponsoring firm, sponsor's ability to offer a wide range of schemes and recognized the brand name as essential in fund sponsor qualities. On the other hand, the second category of investors preferred expertise of the fund manager in managing money, well-developed research wing and other infrastructure and a well-developed agency and network of the sponsoring firm were the major factors influencing fund selection behaviour of investors.

**Kotishwar & Khan, 2014:** The Research aimed to analyze the behaviour of individual investors toward Mutual Funds in Telangana Region in Andhra Pradesh and performance of selected Growth schemes. It was found that the Income constituted the most important factor influencing the investors preference and behaviour. Every investor had a definite objective behind his investment decision. The motive of every investor investing in funds varied as per circumstances. The objectives reflected the investor's investment strategy, selection of schemes, holding period etc., It was also found that the objectives of the savings were confined to retirement, to meet contingency, to save tax, to purchase an asset, and to meet the educational needs of

children. The nature and intensity of financial needs differed from investor to investor based on their requirements, objectives and economic status.

**Vyas, 2012:** From the Research it was found that mutual funds were not that much known to investors, still investor rely upon bank and post office deposits, most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from the fund which were not giving desired results. Equity option and SIP mode of investment were on top priority in investors' list. It was also found that maximum number of investors had not analyzed risk in their investment and they were depended upon their broker and agent for that work.

**Mehta & Shah, 2012:** The Research conducted to know the preference of mutual funds investors and performance evaluation of preferred schemes by the investors. It was found that the investors who were of the age of less than 30 were more attracted by the high returns followed by low risk involved and then liquidity or company reputation. Investors in the age group of 31-40 years of age also had gave high preference to high return. On the other hand, the investors between the age group of 41-50 were evenly distributed for factors like liquidity, high return and low risk. Investors above 50 years of age had preferred low risk more than any other factor. Mode preferred to receive returns yearly and the type of Return expected by the investors were dependent on each other. It was also found that the Investors mostly preferred equity schemes while making investment into mutual funds. Amongst equity schemes also Equity tax savings (ELSS), Equity diversified scheme and Equity sectoral schemes were mostly preferred by the investors.

**Saha & Dey, 2011:** It was found that the MF scheme preference for the majority of investors were 'growth scheme' followed by 'income schemes'. The investors were interested in earning higher return rather than regular safe returns. Analysis of scheme preference by nature of operation revealed the popularity of 'open-ended' schemes. Findings of the study divulged that investors attached high priority to reference groups, closely followed by published information, thereby preferring newspapers (general and business), and financial magazines. It was also found that 44% of the respondents of Kolkata city preferred to telephone the office to know more about MF. 72% of the respondents had the good awareness level of MFs.

### **Research Methodology**

- **The Need for the Study**

As the financial sector have a direct impact on economic growth of India, and as per PWC report 2016, mutual fund gross domestic product contribution was only 7% which is very low compared to another developing country, to study the behaviour of investors with context to investor's awareness and perception about the mutual fund.

- **Research Design and Sampling**

Descriptive research design has been used, and 100 investors of Ahmedabad city has been selected for the survey. Data collected through convenience sampling method and analyzed with the help of SPSS latest version. The study has proposed that investors behaviour towards mutual fund determined within the context of awareness and perception of a mutual fund. For research purpose developed a Likert scales related to risk perception and awareness about a mutual fund.

- **Cross Sectional Analysis**

**Relationship between Age and Preference of Mutual Funds Scheme to Use/Invest in a Mutual Fund**

		Age				Total
		18-25	26-33	34-41	41 & above	
Which mutual funds scheme do you prefer to use/invest in a mutual fund?	Open Ended	39	17	11	3	70
	Close Ended	26	2	0	2	30
<b>Total</b>		65	19	11	5	100

Majority of the respondents, i.e., 39 from the Age Bracket of 18-25 Preferred to invest in Open-Ended Mutual Funds Scheme, followed by 26 from the Age Bracket of 18-25 Preferred to invest in Close Ended Mutual Funds Scheme, there was none response from the Age Bracket of 34-41 for Close Ended Mutual Funds Scheme. 70 were the highest response from the entire four Age Brackets for Open-Ended Mutual Funds Scheme to invest. **There is no association between Income and Reasons for Investing in SIP Funds.**

ONE WAY ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Preferred Reason you agree for SIP Funds– ‘You want to start early with your investing, and you want to start small.’	Between Groups	3.920	3	1.307	2.708	<b>.049</b>
	Within Groups	46.320	96	.482		
	<b>Total</b>	50.240	99			
Preferred Reason you agree for SIP Funds - ‘You want to build the saving and investing habit.’	Between Groups	1.009	3	.336	.631	<b>.597</b>
	Within Groups	51.151	96	.533		
	<b>Total</b>	52.160	99			
Preferred Reason you agree for SIP Funds– ‘You do not have lump sum amounts to invest.’	Between Groups	2.951	3	.984	.790	<b>.502</b>
	Within Groups	119.489	96	1.245		
	<b>Total</b>	122.440	99			
Preferred Reason you agree for SIP Funds– ‘You want to have convenience and less risk.’	Between Groups	.768	3	.256	.316	<b>.814</b>
	Within Groups	77.742	96	.810		
	<b>Total</b>	78.510	99			
Preferred Reason you agree for SIP Funds– ‘They average the cost of your investments and deliver superior returns with fewer shocks over the long term.’	Between Groups	1.441	3	.480	.521	<b>.669</b>
	Within Groups	88.559	96	.922		
	<b>Total</b>	90.000	99			

From above table it showed that significant value for Reason ‘You want to start early with your investing and you want to start small’ is 0.049 which is less than 0.05,

i.e.,  $0.049 < 0.05$ . So, Null Hypothesis is that there is no association between Income and Investors want to start early and small with their investing is rejected. Whereas other four reasons which are 'You want to build the saving and investing habit', 'You do not have lump sum amounts to invest', 'You want to have convenience and less risk', 'They average the cost of your investments and deliver superior returns with fewer shocks over the long term' showed the significant values greater than 0.05 which are  $0.597 > 0.05$ ,  $0.502 > 0.05$ ,  $0.814 > 0.05$ ,  $0.669 > 0.05$ . So, Null Hypothesis is that there is no association between Income and above Reason for Investing in SIP Funds are Accepted. **There is no association between Age and Factors Investors noticed during Promotional Activities of Mutual Funds Investment.**

ONE WAY ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
You agree on the factor you noticed during promotional activities of Mutual Funds investment - 'Goodwill/Name.'	Between Groups	3.398	3	1.133	2.494	<b>.065</b>
	Within Groups	43.602	96	.454		
	<b>Total</b>	47.000	99			
You agree on the factor you noticed during promotional activities of Mutual Funds investment - 'Size/Volume of Business.'	Between Groups	7.165	3	2.388	4.793	<b>.004</b>
	Within Groups	47.835	96	.498		
	<b>Total</b>	55.000	99			
You agree on the factor you noticed while promotional activities of Mutual Funds investment - 'Its Aim.'	Between Groups	10.618	3	3.539	4.861	<b>.003</b>
	Within Groups	69.892	96	.728		
	<b>Total</b>	80.510	99			
You agree on the factor you noticed during promotional activities of Mutual Funds investment- 'Active Client.'	Between Groups	8.013	3	2.671	3.129	<b>.029</b>
	Within Groups	81.947	96	.854		
	<b>Total</b>	89.960	99			
You agree on the factor you noticed during promotional activities of Mutual Funds investment - 'Direct Portal.'	Between Groups	2.133	3	.711	.832	<b>.480</b>
	Within Groups	82.057	96	.855		
	<b>Total</b>	84.190	99			

From the abovetable it showed that significant value for Factors 'Goodwill/Name' and 'Direct Portal' are greater than 0.05, i.e.,  $0.065 > 0.05$ ,  $0.480 > 0.05$ . So, Null Hypothesis is that, there is no association between Age and above mentioned two Factors Investors Noticed while Promotional Activities of Mutual Funds Investment are Accepted. Whereas other three Factors which are 'Size/Volume of Business', 'Its Aim' and 'Active Client' showed the significant values less than 0.05 which are  $0.004 < 0.05$ ,  $0.003 < 0.05$ ,  $0.029 < 0.05$ . So, Null Hypothesis that, there is no association between Age and above mentioned three Factors Investors Noticed while Promotional Activities of Mutual Funds Investment are Rejected.

#### Age and Preference Investing in Mutual Fund from Total Income Cross Tabulation

		Age				Total
		18-25	26-33	34-41	41 & above	
Percentage of savings do you prefer investing in mutual funds from your total income	<=25 %	55	12	8	2	77
	<= 50 %	8	6	2	1	17
	<= 75 %	2	1	1	2	6
	<b>Total</b>	65	19	11	5	100

Respondent's behaviour with context to preference for investing in mutual funds from total income and from above table it showed that Majority of the respondents i.e., 55 from the Age Bracket of 18-25 Preferred to invest  $\leq 25\%$  of savings from their total income in mutual funds. Followed by 12 respondents from age bracket of 26-33 preferred to invest  $\leq 25\%$  of savings from their total income in mutual funds.

#### **Education Qualification and Preference Investing in Mutual Fund from Total Income Cross Tabulation**

		Educational Qualification				Total
		Schooling	Graduate	Post-Graduate	Doctorate	
Percentage of savings do you prefer investing in mutual funds from your total income	$\leq 25\%$	2	26	48	1	77
	$\leq 50\%$	0	7	10	0	17
	$\leq 75\%$	0	2	4	0	6
<b>Total</b>		2	35	62	1	100

From above table it showed that Majority of the respondents i.e., 48 Post Graduate Preferred to invest  $\leq 25\%$  of savings from their total income in mutual funds. Followed by 26 Graduate respondents preferred to invest  $\leq 25\%$  of savings from their total income in mutual funds.

#### **Occupation and Preference Investing in Mutual Fund from Total Income Cross Tabulation**

		Occupation						Total
		Student	Homemaker	Professional	Government Service	Private Service	Business/ Entrepreneurship	
Percentage of savings do you prefer investing in mutual funds from your total income	$\leq 25\%$	14	1	9	4	38	11	77
	$\leq 50\%$	4	1	1	1	8	2	17
	$\leq 75\%$	1	0	0	1	4	0	6
<b>Total</b>		19	2	10	6	50	13	100

From above table it showed that Majority of the respondents i.e., 38 from Private Service Sector Preferred to invest  $\leq 25\%$  of savings from their total income in mutual funds. Followed by 14 Students preferred to invest  $\leq 25\%$  of savings from their total income in mutual funds.

#### **Conclusion**

Majority of the investors from private service sector and post graduate preferred to invest less than 25% of savings from their total income in mutual funds. Majority of the youngsters were invested in the mutual fund for less than 3 years while the adults were invested for a longer period of time with open ended mutual funds scheme. Research highlighted mutual fund and regulators need to focus more on female to improve the awareness about mutual funds. This would increase the investor base and flow of funds in a mutual fund.

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