A STUDY ON INVESTORS BEHAVIOR TOWARDS MUTUAL FUND

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ABSTRACT

The mutual funds sector is one of the fastest sectors in Indian Economy. Mutual fund is more reliable to the investors as the risk is low compared to other sources of investment. It is more reachable to the investors as the funds do not get invested in one sector but gets diversified to many sectors. The diversification happens in a professional method. This research paper focused attention on number of factors that highlights investor's perception about mutual fund. The study of the research is on Investor behaviour towards mutual funds. From the research it is found that the majority of investors are male and are businessmen. The research done was a primary research from 60 respondents with convenience sampling method. It stated that more people were aware of mutual fund because of advertisements and social media. This Research denoted that there was a frequent investment in mutual funds compared to other investment sectors. And this study has been analysed on the basis of demographic factors using chi square and ANOVAs as tools.

INTRODUCTION

MUTUAL FUNDS

Mutual fund is a pool of money collected from investors and is invested according to certain investment options. A mutual fund is a trust that pools the saving of an. of investors who share a common financial goal. A mutual fund is created when investors put their money together. It is, therefore, a pool of investor's fund. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the no. of units owned by them. The most important characteristics of a fund are that the contributors and the beneficiaries of the fund are the same class of people namely the investors. The term mutual fund means the investors contribute to the pool and also benefit from the pool. The pool of funds held mutually by investors is the mutual fund. A mutual fund business is to invest the funds thus collected according to the wishes of the investors who created the pool. Usually the investors appoint professional investment managers create a product and offer it for investment to the investors. This project represents a share in the pool and pre status investment objectives. Thus, a mutual fund is the most suitable investment for a common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at relatively low cost.

FEATURES THOSE INVESTORS LIKE IN MUTUAL FUND:

If mutual funds are emerging as the favourite investment vehicle it is because of the many advantages. They have over other forms and avenues of investing parties for the investors who has limited resources available in terms of CapitaLand ability to carry out detailed reserves and market monitoring. These are the major advantages offered by mutual fund to all investors:

- Professional Management: Mutual Funds provide the services of experienced and skilled professionals, backed by a dedicated investment research team that analyses the performance and prospects of companies and selects suitable investments to achieve the objectives of the scheme.

- Diversification: Mutual Funds invest in a number of companies across a broad cross-section of industries and sectors. This diversification reduces the risk because seldom do all stocks decline at the same time and in the same proportion. You achieve this diversification through a Mutual Fund with far less money than you can do on your own.

• Convenient Administration: Investing in a Mutual Fund reduces paperwork and helps you avoid many problems such as bad deliveries, delayed payments and follow up with brokers and companies. Mutual Funds save your time and make investing easy and convenient.

• Return Potential: Over a medium to long-term, Mutual Funds have the potential to provide a higher return as they invest in a diversified basket of selected securities.

• Low Costs: Mutual Funds are a relatively less expensive way to invest compared to directly investing in the capital markets because the benefits of scale in brokerage, custodial and other fees translate into lower costs for investors.

• Liquidity: In open-end schemes, the investor gets the money back promptly at net asset value related prices from the Mutual Fund. In closed-end schemes, the units can be sold on a stock exchange at the prevailing market price or the investor can avail of the facility of direct repurchase at NAV related prices by the Mutual Fund

• Transparency: You get regular information on the value of your investment in addition to disclosure on the specific investments made by your scheme, the proportion invested in each class of assets and the fund managers investment strategy and outlook

• Flexibility: Through features such as regular investment plans, regular withdrawal plans and dividend reinvestment plans, you can systematically invest or withdraw funds according to your needs and convenience.

• Affordability: Investors individually may lack sufficient funds to invest in high-grade stocks. A mutual fund because of its large corpus allows even a small investor to take the benefit of its investment strategy.

• Well Regulated: All Mutual Funds are registered with SEBI and they function within the provisions of strict regulations designed to protect the interests of investors. The operations of Mutual Funds are regularly monitored by SEBI.

NEED FOR STUDY

- To find the main preference of the investors
- To find which investment has a much higher risk rate
- To find which investment gives more return than others
- To find the safe investment

OBJECIVE

The main objective of this study is:

1. To know various factors considered by the customers while going to invest in the mutual fund.

2. To study the working of mutual fund

3. To know Investment preferences and knowledge level of investors

4. To know the personal and social status of investors

SCOPE

1. The project will provide us the better platform to understand the history, growth and various aspects of mutual fund.

2. It will also help to understand the behaviour of Indian investment towards mutual fund.

3. It will also help to understand the importance of mutual fund

LIMITATIONS

1. This project is limited in scope as the survey is conducted with a shortage of time constraint and also based on secondary data.

2. Due to ignorance factor some of the respondents were not able to give correct answer

3. The respondent were not disclosing their exact portfolio because they have a fear in their mind that they can come under tax slab.

REVIEW OF LITERATURE

Zhen, L. (1999) found the evidence of funds that receive more money subsequently perform significantly better than those that lose money. This effect is short-lived and is largely but not completely explained by a strategy of betting on winners. In the aggregate, there was no significant evidence that funds receive more money subsequently beat the market. However, it states possible to earn positive abnormal returns by using the cash flow information for small funds and Fant, L. F. (1999) studied the relationship of stock market returns with components of aggregate equity mutual fund flows (new sales, redemptions, exchanges-in, and exchanges-out) was examined. The objective of the study was to find the investor's behavior of mutual fund. The evidence suggests that the various components reflect different investor objectives and information.

Grinblatt, M., & Keloharju, M. (2000) analyses the extent to which past returns determine the propensity to buy and sell. It also analyses whether these differences in past-return-based behaviour and differences in investor sophistication drive the performance of various investor types. The main objective of the study was to find out the investment behaviour and performance of various investors.

Kamesaka, A., Nofsinger, J. R., & Kawakita, H. (2003) noted the investment patterns and performance of foreign investors, individual investors, and five types of institutional investors. This was a particularly new and interesting finding that evidence of both information-based trading and behavioural-based trading occurs in the same market. And Wang, C. (2003) analysed a unique data set and uncover a remarkable result that casts a new light on the home bias phenomenon. This Study suggest that information asymmetries play an important role in equity home bias and that the benefits of international risk sharing are limited to select firms. And Lin, A. Y., & Swanson, P. E. (2003) investigates trading behaviour and investment performance of foreign investors in 60 large-size firms listed on the Taiwan Stock Exchange Findings show that foreign investors are short-term superior performers but long-term inferior performers. The short-term superior performance appears to be driven partially by price momentum of winner's portfolios rather than by risk taking. After controlling for firm size, share turnover, and industry, foreigners' short-term performance in large-size, high-turnover, and high-tech stocks is better than it is in small-size, low turnover, and non-high-tech stocks.

Indro, D. C. (2004) examines the relationship between net aggregate equity fund flow and investor sentiment using weekly flow data. The study resulted net aggregate equity fund flow in the current week is higher when individual investors became more bullish in the previous and current weeks. The relationship between net aggregate equity fund flow and investor sentiment remains strong even after accounting for the effects of risk premium and inflation. Overall, the evidence suggests that the behaviour of equity fund investors is influenced not only by economic fundamentals, but also by investor sentiment.

Massa, M., & Simonov, A. (2005) examined the way investors react to prior gains/losses. Inspect the investor reactions to different definitions of gains and losses and consider how gains and losses in one category of wealth affect holdings in other categories. We show that investors change their holdings of risky assets as a function of both financial and real estate gains. Prior gains increase risk-taking, while prior losses reduce it. To interpret our results, we consider and compare three alternative hypotheses of investor behaviour: prospect theory, house money effect and standard utility theory with diminishing risk dislike. Our evidence fails to support loss aversion, pointing in the direction of the house money effect or standard utility theory. Investors consider wealth in its entirety, and risk-taking in financial markets is affected by gains/losses in overall wealth, financial wealth, and real estate wealth.

Ranganathan, K. (2006) examined the related aspects of the fund selection behaviour of individual investors towards Mutual funds, in the city of Mumbai. This study will help developing and expanding knowledge in the field of Consumer behaviour from the marketing world and also the financial economics has brought together. And Griffin, J. M., Nardari, F., & Stulz, R. M. (2006) investigates the lively relation between market-wide trading activity and returns in markets. Many stock markets display a strong positive relation between turnover and past returns. These findings stand up in the face of various controls for unpredictability, alternative definitions of turnover, differing sample periods, and are present at both the weekly and daily frequency. The relation is more statistically and economically significant in countries with high levels of corruption, with short-sale restrictions, and in which market volatility is high.

Kim, K. A., & Nofsinger, J. R. (2007) identified Japanese individual investors by contrasting their behavior during a long bull market (1984-1989) to a long bear market (1990-1999).the objective of the study is to test the individuals' attitudes and preferences toward stock risk, book to-market valuation, and past returns, are different between market conditions. The study identified some striking differences in investing behavior between the bull and the bear market. These behaviours are associated with poor investment performance. The findings are consistent with existing behavioural theories, but some of our findings are not. B. M., & Odean, T. (2011) describes impression of research on the stock trading behaviour of every single investors. This research documents that individual investors (1) disappoint standard benchmarks (2) sell winning investments while holding losing investments (3) are heavily influenced by limited attention and past return performance in their purchase decisions, (4) engage in naïve reinforcement learning by repeating past behaviours that matched with pleasure while avoiding past behaviours that generated pain, and (5) tend to hold undiversified stock portfolios. These behaviours deleteriously affect the financial worthy of individual investors.

RESERCH METHODOLOGY

3.1. RESEARCH DESIGN

Research Design adopted is descriptive research because descriptive explains the study and aims at finding the present scenario of the investors towards mutual fund

3.2. SAMPLE SIZE

Questionnaires are collected from 60 respondents

3.3. SAMPLING TECHNIQUE

The respondents were selected by using convenient sampling method from the investors.

3.4. DATA COLLECTION

Primary data

It is the first hand information, which is being collected by the researcher, or assistant is called primary data. In this study, the primary data was collected through structured questionnaire. Questionnaire was employed to collect the primary data from 60 respondents in the organization.

Secondary data

Besides the primary data, the secondary data was also collected for the study. Websites and books were referred for this purpose from the library to facilitate proper understating of the study.

3.5 DATA ANALYSIS

The data collected from the primary sources were arranged sequentially and tabulated in the systematic order.

TOOLS FOR ANALYSIS

The collected data were classified tabulated and analysed with some of the statistical too

- **Chi Square Test**

A chi-squared test, also written as s test, is any statistical hypothesis test wherein the sampling distribution of the test statistic is a chi-squared distribution when the null hypothesis is true. Without other qualification, 'chi-squared test' often is used as short for *Pearson's* chi-squared test. In the standard applications of the test, the observations are classified into mutually exclusive classes, and there is some theory, or say null hypothesis, which gives the probability that any observation falls into the corresponding class. The purpose of the test is to evaluate how likely it is between the observations and the null hypothesis. Chi-squared tests are often constructed from a sum of squared errors, or through the sample variance. A chi-squared test can be used to attempt rejection of the null hypothesis that the data are independent.

Hypothesis

Null hypothesis (H0): There is no significance difference between two groups on the dependent variable.

Alternative hypothesis (H1): There is a significance difference between two groups on the dependent variable

ANOVA- ONE WAY

In statistics, one –way analysis of variance is a technique used to compare means of three or more samples. This technique can be used only for numerical data. The ANOVA tests the null hypothesis that samples in two or more groups are drawn from populations with the same mean values.

The results of a one –way ANOVA can be considered reliable as long as the following assumptions are met

- Response variable residuals are normally distributed.
- Samples are independent.
- Variances of population are equal.
- Responses for a given group are independent and identically distributed normal random variables.

DATA ANALYSIS AND INTERPRETATION

Table 1.Analysis of Demographic profile of the investors

S.NO	DEMOGRAPHIC FACTORS	PERCENTAGE %
1.	No. of Respondents • Male • Female	100 58.3 41.7
2.	Age Group of Investors • 20-30 • 30-40 • 40&above	100 58.3 21.7 20
3.	Education Qualification of the investors • UG • PG • Ph.D.	100 31.7 38.3 30
4.	Occupation of the investors • Business • service • student • house wife	100 38.3 30 25 6.7
5.	Income level of the investors • <300000 • 300001-500000 • 500001-1000000 • >1000000-2000000	100 33.3 31.7 23.3 11.7

Interpretation

The above table depicts the demographic factors where in there no much difference between the number of male and female investor's. Majority of investor's belonging to 20-30 age groups. Among the respondents, people having post-graduation are more aware about mutual fund. The people who are doing business are showing more interest to investing in mutual fund. The income of investors are found that <3lakh and more than 3lakh to 5lakh.

TABLE.1

S.No	**Factor affecting**	**Mean**	**Rank**
1	Government policies (contributions, Tax, reductions)affect investor behaviour in a positive way	2.18	5
2	Economic stability is a key element effecting investment decision investors	2.43	4
3	investors attach importance to innovations in banking and financial services	2.93	1
4	investors income levels effects the maturity date of the investments they make	2.76	3
5	investors consider their past investment experiences while taking investment decisions	2.86	2

Interpretation

From the above table it shows the factors affecting the mutual fund .the research analysed that ranking bases. 1st rank is investors attach importance to innovations in banking and financial services. Followed by 2nd investors consider their past investment experiences while taking investment decisions and investors income levels effects the maturity date of the investments they make and Economic stability is a key element effecting investment decision investors, and finally 5th rank is Government policies (contributions, Tax, reductions)affect investor behaviour in a positive way

Chi square

Analysis of profitable investment preferred by investors

Null hypothesis: There is no significant difference among the profitable investment preferred by the investors. Alternative hypothesis: There is a significant difference among the profitable investment preferred by the investors.

Category of the profitable investors

profitable	Observed N	Expected N	Residual
Fix deposits	17	15.0	2.0
Mutual funds	35	15.0	20.0
Equities	5	15.0	-10.0
Others	3	15.0	-12.0
Total	60		

Test Statistics

	category of the profitable investors	No of investors
Chi-Square	43.200[a]	43.200[a]
df	3	3
Asymp. Sig.	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 15.0.

INTERPRETATION

From the above table the significant value is less than 0.05. There is a significant difference among the profitable investment preferred by the investors.

CHI SQUARE TWO WAY

Table 4.7

Null hypothesis: There is no significant different between expected return percentage and risk

Alternative hypothesis: There is significant different between expected return percentage and risk Count

RISK EXPECTED TOWARDS RETURN

		what do you expect when you Invest				Total
		no risk	nominal risk	moderate risk	higher risk	
percentage of return you are expecting	5-10%	4	4	5	1	14
	10-15%	5	13	7	0	25
	15-20%	4	6	5	0	15
	Above20 %	1	1	4	0	6
Total		14	24	21	1	60

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.012[a]	9	.533
Likelihood Ratio	7.508	9	.584
Linear-by-Linear Association	.131	1	.717
N of Valid Cases	60		

a. 10 cells (62.5%) have expected count less than 5. The minimum expected count is .10.

Interpretation

From the above table it shows that the significant value is greater than the 0.05. There is no significant different between expected return percentage and risk.

ANOVA ONE WAY

Analysis of occupation towards the personal and social status

Null hypothesis: There is no significant different between occupation towards personal and social status.
Alternative hypothesis: There is significant different between occupation towards personal and social status.

S.NO	investors Personal and social status	f value	Significant
1	Investors family structure	.334	.801
2	Investors behaviour	4.900	.004
3	Investors prefer	1.636	.191
4	Investment tools	.255	.857
5	Investment decision	.486	.694
6	Investors religious and political view	.537	.659
7	Investors making payment	1.958	.131

Interpretation

From the above table it shows that the significant value is greater than the 0.05. There is no significant different between occupation towards personal and social status.

ANOVA ONE WAY

Analysis of occupation towards investor's preference and knowledge

Null hypothesis: There is no significant different between occupation towards investor's preference and knowledge

Alternative hypothesis: There is significant different between occupation towards investor's preference and knowledge

Table 4.14

s.no	Investment preferences and knowledge	f test	significant
1	Investors investment tools	.987	.406
2	Investors bank preference	0.74	.974
3	Investors preference	.923	.436
4	Gold attention of investors	.862	.466

Interpretation

From the above table it shows that the significant value is greater than the 0.05. There is no significant different between occupation towards investor's preference and knowledge.

Analysis of Age towards investor's preference and knowledge

Null hypothesis: There is no significant different between age towards investor's preference and knowledge

Alternative hypothesis: There is significant different between age towards investor's preference and knowledge

Table 4.15

S.NO	Investment preferences and knowledge	f test	Significant
1	Investors investment tools	.007	.993
2	Investors bank preference	1.942	.153
3	Investors preference	1.432	.247
4	Gold attention of investors	.221	.803

Interpretation

From the above table it shows that the significant value is greater than the 0.05. There is no significant different between age towards investor's preference and knowledge.

Suggestions

- It is found that majority of the investors are male. So, the company concentrate more awareness about mutual fund on females.
- The company can concentrate more on PG & Ph.D. Level because majority of the investors are from this level.
- The company should concentrate more on businessmen & private working investors.
- The middle level income level (<300000) should be concentrated more because their high involvement in MF & High income group should be made aware of mutual fund plan as there is low involvement.
- The majority of the investors belongs to 20-30age group.
- There is a different opinion among the gender towards personal and social status.

CONCLUSION.

The most important characteristics of a mutual fund are that the contributors and the beneficiaries of the fund are the same class of people namely the investors. The term mutual fund means the investors contribute to the pool and also benefit from the pool. The pool of

Funds held mutually by investors are the mutual fund. A mutual fund business is to invest the funds thus collected according to the wishes of the investors who created the pool. These studies primarily aim to find out the various factors considered by the customers while going to invest in the mutual fund. This study describes the strong relationship between demographic data in respect of different parameters. Investors and diversified investing in different investment option, mutual fund plan and investment period place are better to concentrate.

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