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INVESTOR BEHAVIOR TOWARDS MUTUAL FUND AS AN INVESTMENT TOOL VISNAGAR REGION

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Abstract

The money collected by the fund manager from many investors to invest in bonds, stocks, money market instruments, and other securities is called a Mutual fund. Mutual funds are owned by a group of investors and operated by professionals. In other words, a mutual fund is a bunch of securities owned by a group of investors and operated by a fund manager.

The expectation of investors is a very important factor that needs to be analyzed by all investment alternatives. The success of any Mutual Fund depends on how effectively it has been able to meet the investors' expectations. The study focuses on expectation and their preference of the investors'. It also attempts to gauge the factors that they take into consideration in making any investment in Mutual Fund as well as their awareness level regarding Mutual Fund investments. The strategic marketing decisions of the Mutual Fund companies would be more effectively framed. So, this current study would like to measure the "Investment Behavior towards Mutual Fund as an Investment Tool".

The Mutual fund companies identify the areas required for improvement to create greater awareness among investors regarding investment in mutual funds with the help of findings.

Keywords: *Mutual fund, Investments, securities, money, investors*

1. Introduction

In the year 1963 Mutual fund industry with the formation of Unit Trust of India at the initiative of the Government of India and Reserve Bank of India. The main objective then was to attract small investors and give the introduction them to market investments. In Belgium in 1822 the modern mutual fund was introduced first.

Mutual fund is a pool of money received from investors and it is invested according to different investment options. A mutual fund is a trust that pools the saving of investors who share a same financial goal. When investors put their money together mutual fund is created. It is, therefore, we say a pool of investor's fund. The money thus collected from investors then invested in capital market instruments such as shares, debentures, and other securities. Whatever income earned through these investments and the capital appreciations realized are provided by its unit holders in proportion to the number of units owned by them. The most important specific of a fund are that the contributors and the beneficiaries of the fund are the same class of people namely the investors. In the term of Mutual fund the investors contribute to the pool and also benefit from the pool. The investors held mutually pool of funds is the mutual fund. A mutual fund business is to invest the funds thus collected according to the wishes of the investors who created basket of securities. Basically the investors appoint professional investment managers create a product and offer it for investment to the different investors. This research paper represents a share in the pool and pre status investment objectives. Thus, a mutual fund is the most suitable for a common man for investment and it is given an opportunity to invest in a different area, professionally managed basket of securities at relatively lowest cost

Objectives

1. To know the level of awareness of mutual funds and study the investor behavior in mutual fund schemes.
2. To know the investor's view towards the mutual fund.
3. To analyze the risk-return perception of mutual fund retail investors.
4. To study the investment pattern of Indian Investors.
5. To find the type of scheme of mutual funds preferred by the investor.
6. To find out the importance of factors like liquidity, higher return, company reputation, and other factors that influence the investment decision of mutual fund holders.

2. Research Methodology

A. Primary data

Data type	Primary Data
Sample size	80
Research tool	Questionnaire
Type of research	Descriptive research
Data collection method	Online and offline Questionnaire
Area	Visnagar Market

B. Secondary Data: Secondary data on the other hand refers to that statistical material that is not originated by the investigator himself, but which he obtains from someone else's records" Secondary data was collected from various internet sites, journal and company records.

4. Mutual fund in India

In the year 1963 Mutual fund industry with the formation of Unit Trust of India at the initiative of the Government of India and Reserve Bank of India. The main objective then was to attract small investors and give the introduction them to market investments.

The money collected by the fund manager from many investors to invest in bonds, stocks, money market instruments, and other securities is called a Mutual fund. Mutual funds are owned by a group of investors and operated by professionals. In other words, a mutual fund is a bunch of securities owned by a group of investors and operated by a fund manager.

Common Types of Mutual Funds:

1. Money Market Funds
2. Fixed Income Funds
3. Equity Funds
4. Balanced Funds
5. Index Funds
6. Specialty Funds:

Benefits of Investing in a Mutual Fund:

1. Professional Management: Mutual funds are actively managed by a professional who constantly follow the fund's portfolio. In addition, the manager can devote more time in selecting investments than a retail investor would.

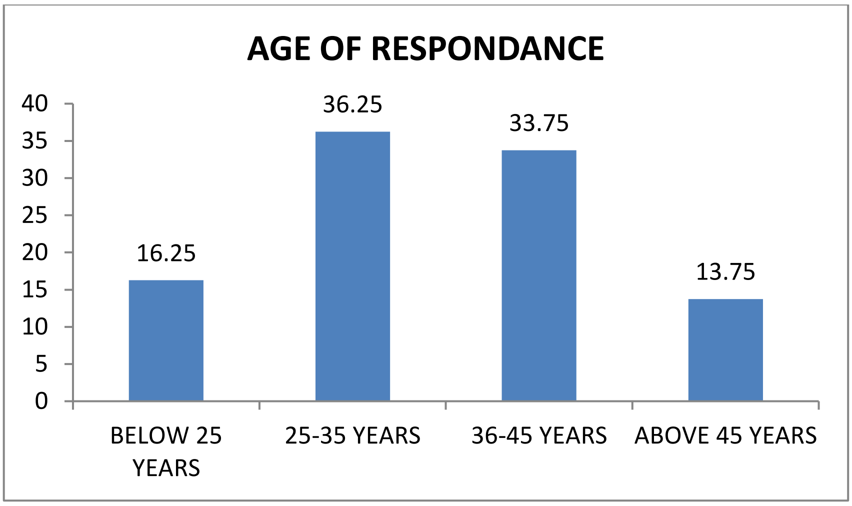
2. Investment Diversification: Mutual funds allow for investment variousness. A mutual fund invests in different asset classes and not just a single bond or stock.

3. Liquidity : Mutual funds possess high liquidity. In general, if needed you are able to sell your mutual funds within a short period of time.

5. Data Analysis and Findings

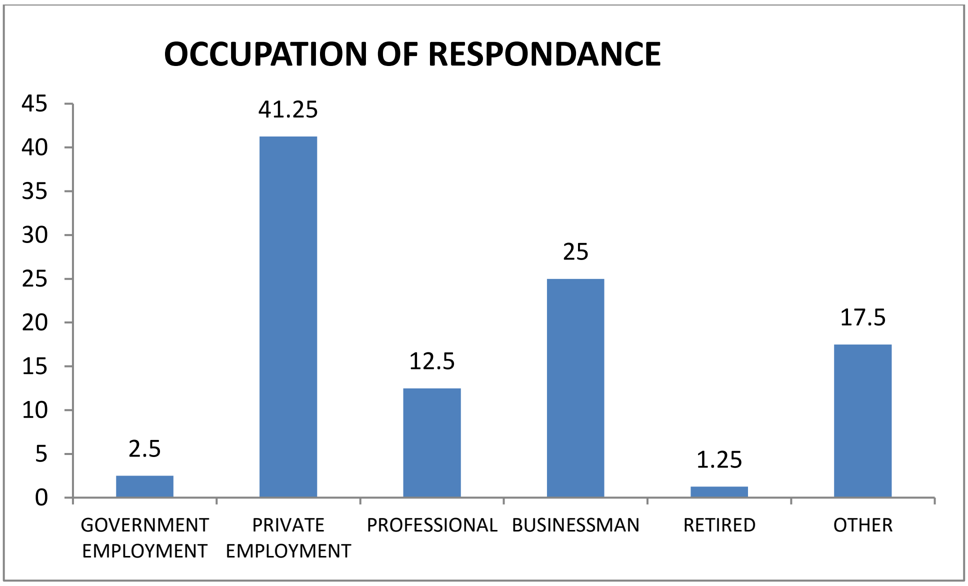
The data collected through the questionnaire is analysed considering each factor and the analysis is presented below.

Chart 1.1 age profile of respondents



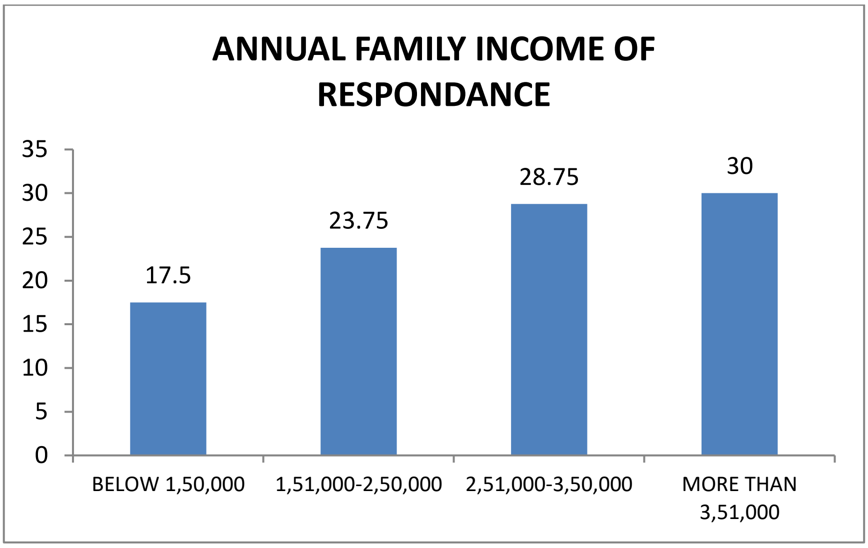
The chart 1.1 represents the age group of respondent. Only 16.25% respondents are of age below 25 years. Most of the respondents are of the age group 25 to 35 years is 36.25%. While 33.75% respondent are between 36 to 45 years and rest 13.75 are of above 45 years.

Chart 1. 2 Occupation Profile of Respondence



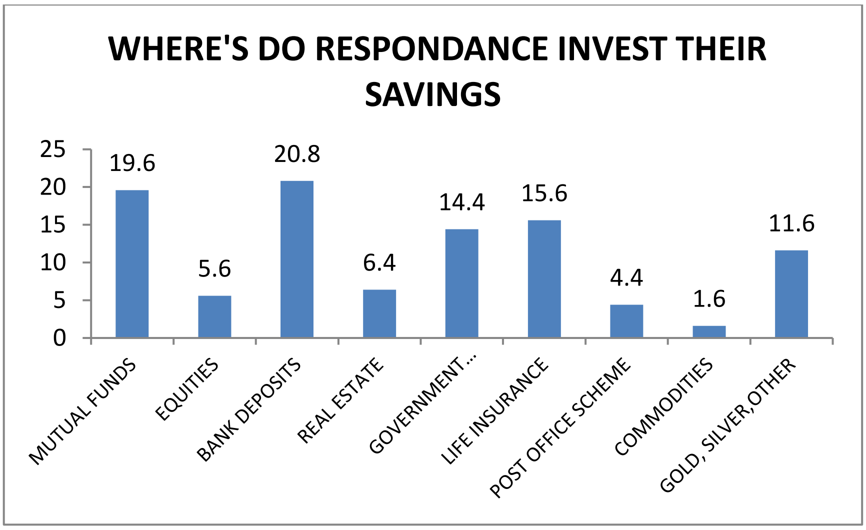
The above doughnut chart represents the occupation of respondents. Only 2.5% respondents are of government employment, most of the respondents (41.25) are of private employment. 12.5% are professionals, 25% are businessmen. 1.25% is retired and rest 17.5 are of other.

Chart 1. 3 Annual Family Income of Respondence



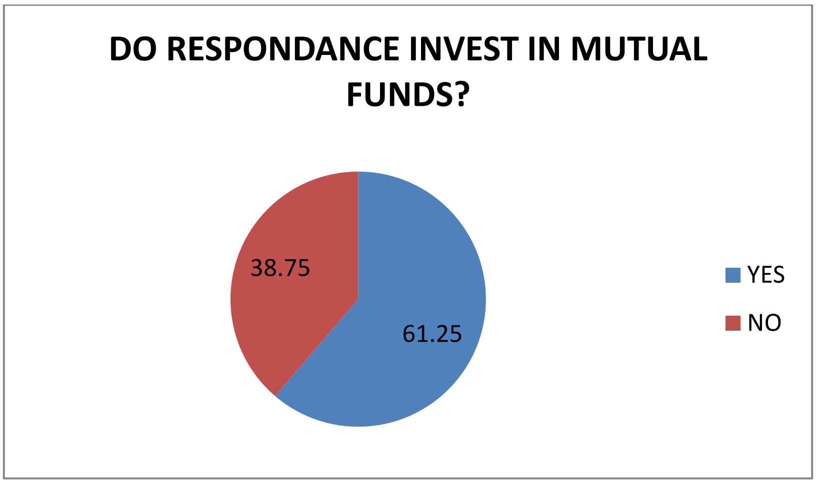
The above chart represents the annual family income of respondents. Out of 100% of respondents only 17.5% respondents are having their income of below Rs. 1.50,000, 23.75% of respondents are having their income between Rs. 1, 51,000- 2, 50,000. 28.75% are having their income between 2, 51,000-3, 50,000, 30% are having more than 3, 51,000 income.

Chart 1. 4 Investments Avenue preferred by the investor



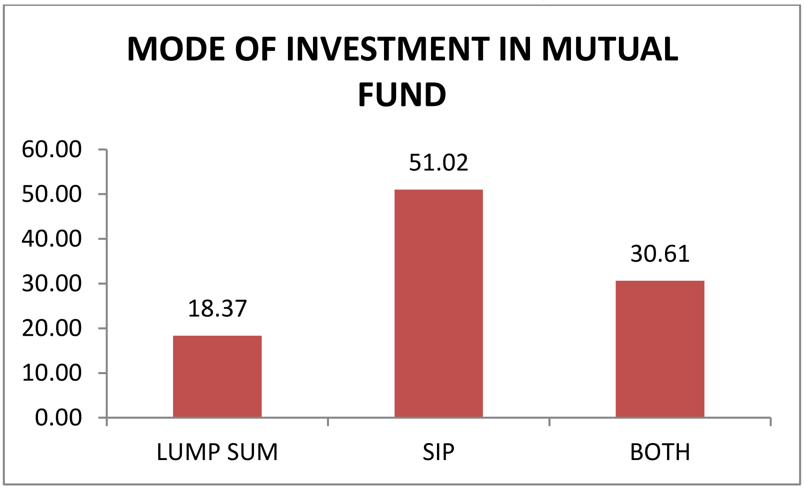
From the above chart, we come to know that out of 100% of respondents maximum 20.8% respondent invest in bank deposits , 19.6% invest in mutual funds, 5.6% respondent invest in equities, 6.4% invest in real estate, 14.4% invest in government securities, 15.6% invest in life insurance, in post office scheme. Only 1.6% invests in commodities and 11.6% of respondent invest in gold, silver and other.

Chart 1. 5 Respondents invest in mutual funds



From the above chart, we come to know that out of 100% of respondents only 61.25% of respondents invest in mutual funds and rest 38.75% do not invest in mutual funds.

Chart 1. 6 Mode of investment in mutual fund will prefer by investor.



From the above chart of frequency, we can interpret that 18.25% of respondents invest in lump sum, 51.02% invest in systematic investment plan (SIP), and 30.61% of respondents invest in both lump sum and SIP.

Chart 1. 7 Investors how long hold mutual fund investment

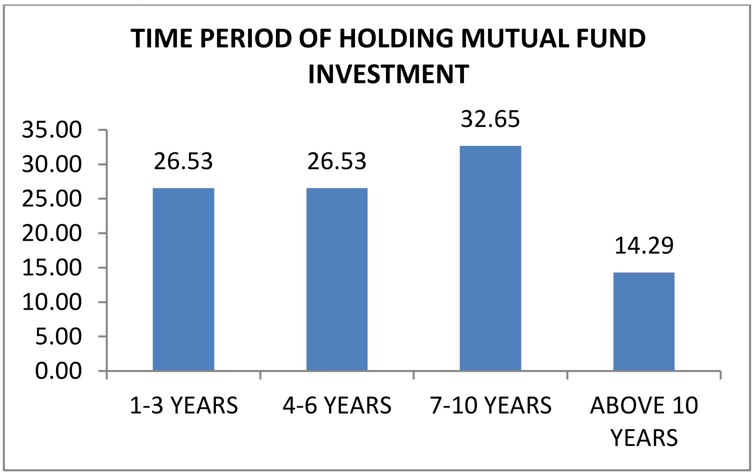


Table 1. 8 OBJECTIVES OF RESPONDANCE FOR INVESTMENT IN MUTUAL FUNDS

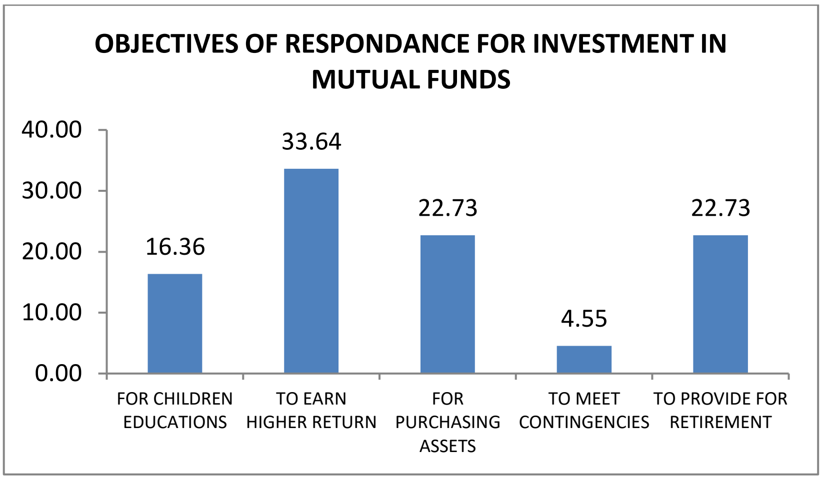
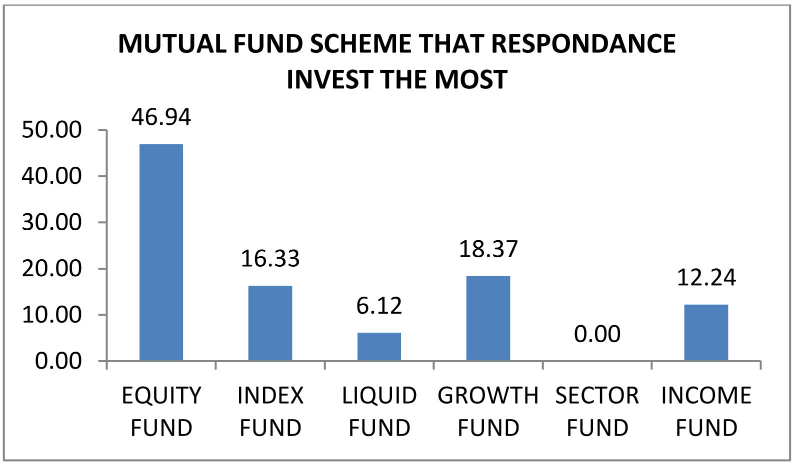
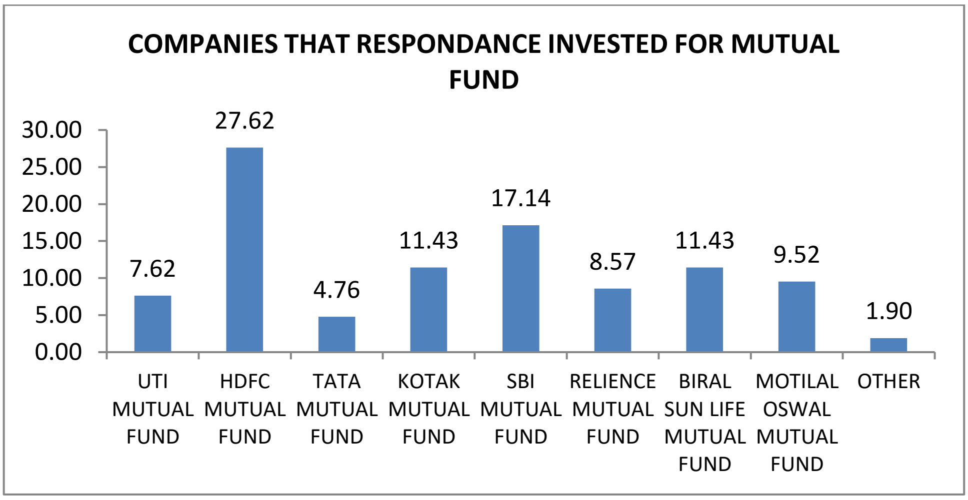


Table 1. 9 MUTUAL FUND SCHEME THAT RESPONDANCE INVEST THE MOST



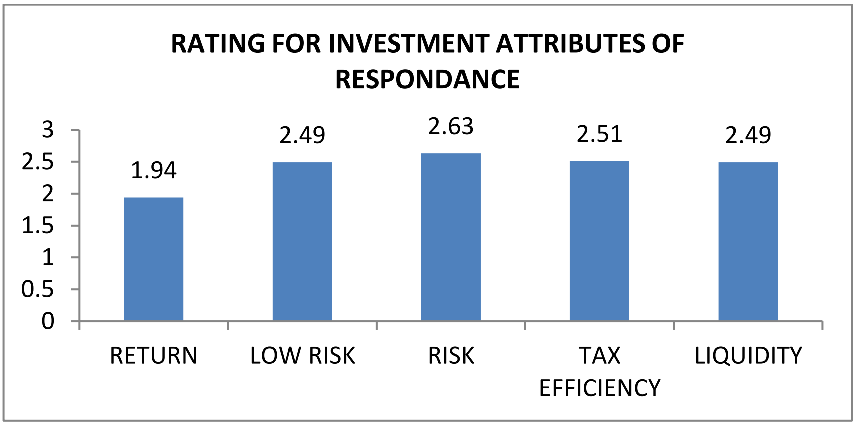
The above doughnut chart represents the schemes that the respondents invest the most. 46.94% of respondents prefer the equity fund, 16.33% invest in index fund, and 6.12% invest in liquid fund, 18.37% in growth fund. None of the respondent prefers the sector fund. 12.24% invest in income fund.

Table 1.10 COMPANIES THAT RESPONDANCE INVESTED FOR MUTUAL FUND



The above chart represents the companies that respondents invested for mutual fund. 27.62% of respondent invest in HDFC mutual fund. 17.14% invest in SBI mutual funds and rest in other companies.

Table 1. 11 RATING FOR INVESTMENT ATTRIBUTES OF INVESTORS (1 to 5)



The rating has been done from 1-5 which means 1 is the not at all important, 2 stands for least important, 3 stands for neutral, 4 stands for important and 5 stands for most important. The below chart represents the rating for the investment attributes of respondents invested for mutual fund. Here, we interpret that respondents thinks that risk is the factor that is most important for investing in mutual funds.

Table 1. 12 RATING FOR ELEMENTS WHILE TAKING DECISIONS FOR INVESTMENT IN DIFFERENT MUTUAL FUND BY RESPONDANCE

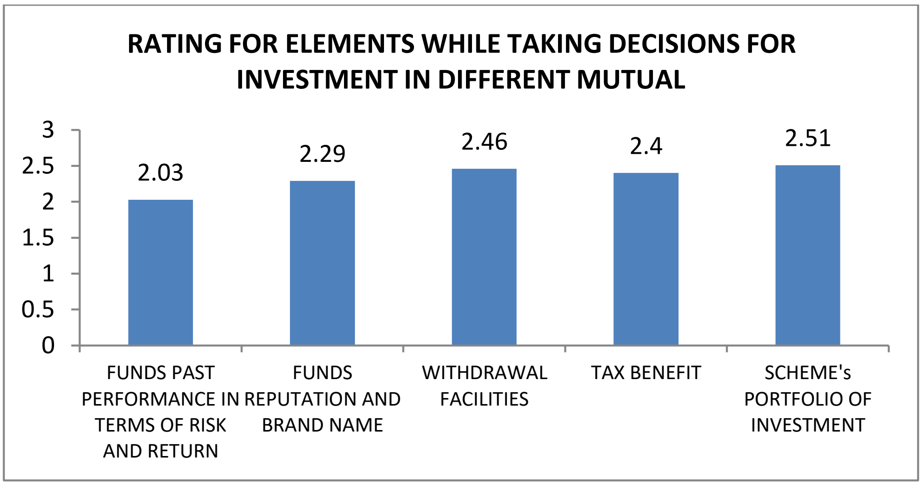
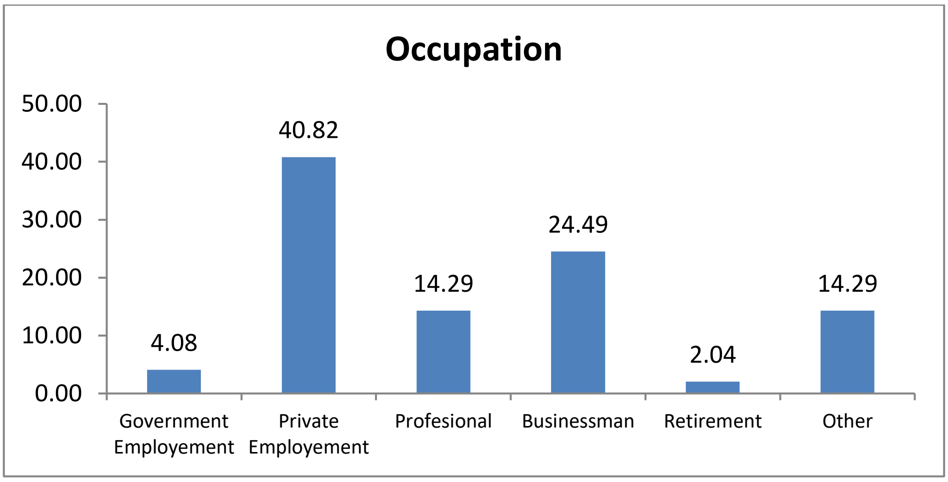


Table 1. 13 Respondents who invest in Mutual fund with respect to occupations



6. FINDINGS

a. The people are basically of conservative nature and hence are very precautious about their hard earned money. Hence they would like to play it safe when it comes to spending of theirmoney.

b. Security and returns are the two main reasons that are taken into consideration before making aninvestment.
c. Bank fixed deposits and gold, silver and other seem to be most preferred one among the investors because it is considered to be the most secured one. But now people are investing in mutual fund also.
d. Most of the people prefer Systematic Investment Plan because it allows the investor to buy units as per a pre decided frequency; the investor decides the amount and also the scheme to investin.
e. Most of the people hold their mutual fund investment for around 7-10years.
f. The people who do not invest in mutual fund basically fear that they are less secured as compared with otherinvestments.
g. The others were aware about the concept of mutual fund but were not fully aware of its intricacy hence were not interested in investing.
h. The increase in mutual fund and various schemes have left many investors confused as to which scheme to opt for even if they want to invest in mutualfund.
i. A respondent thinks that risk is the factor that is most important for investing in mutual funds.

7. Conclusion

Assess yourself: Self-assessment of one's needs; expectations and risk profile is of prime importance failing which; one will make more mistakes in putting money in right places than otherwise. One should identify the degree of risk bearing capacity one has and also clearly state the expectations from the investments. Irrational expectations will only bring pain.

Try to understand where the money is going: It is important to identify the nature of investment and to know if one is compatible with the investment. One can lose substantially if one picks the *wrong* kind of fund. In order to avoid any confusion it is better to go through the literature such as offer document and fact sheets that companies provide on theirfunds.

Don't put all the eggs in one basket: This old age adage is of utmost importance. No matter what the risk profile of a person is, it is always advisable to diversify the risks associated. So putting one's money in different asset classes is generally the best option as it averages the risks in each category. Thus, even investors of equity should be judicious and invest some portion of the investment in debt.

Diversification even in any particular asset class (such as equity, debt) is good. Not all fund managers have the same acumen of fund management and with identification of the best man being a tough task; it is good to place money in the hands of several fund managers. This might reduce the maximum return possible, but will also reduce the risks.

Be regular: Investing should be a habit and not anexercise undertaken at one's wishes, if one has to really benefit from them. As we said earlier, since it is extremely difficult to know when to enter or exit the market, it is important to beat the market by being systematic. The basic philosophy of Rupee cost averaging would suggest that if one invests regularly through the ups and downs of the market, he would stand a better chance of generating more returns than the market for the entire duration.

Do your homework: It is important for all investors to research the avenues available to them irrespective of the investor category they belong to. This is important because an informed investor is in a better decision to make right decisions. Having identified the risks associated with the investment is important and so one should try to know all aspects associated with it. Asking the intermediaries is one of the ways to take care of the problem.

Find the right funds: Finding funds that do not charge much fees is of importance, as the fee charged ultimately goes from the pocket of the investor. This is even more important for debt funds as the returns from these funds are not much. Funds that charge more will reduce the yield to the investor. Finding the right funds is important and one should also use these funds for tax efficiency. Investors of equity should keep in mind that all dividends are currently tax-free in India and so their tax liabilities can be reduced if the dividend payout option is used. Investors of debt will be charged a tax on dividend distribution and so can easily avoid the payoutoptions.

Know when to sell your mutual funds: Knowing when to exit a fund too is of utmost importance. One should book profits immediately when enough has been earned i.e. the initial expectation from the fund has been met with. Other factors like non-performance, hike in fee charged and change in any basic attribute of the fund etc. are some of the reasons for to exit.

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