

Behavioral Study on Investor's towards Mutual Funds with Special Reference to Bangalore Investors

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Abstract:- A mutual fund is a trust that collects money from investors who share a common financial goal, and invest proceeds in different asset classes like, debentures, shares, bonds etc. Mutual fund sector are one of the fastest growing sector in Indian Economy and have awesome potential sustained future growth, mutual fund helps to savings, investing simple, accessible and affordable. The main advantage of mutual funds is diversification happens in a professional method.

The research was done a primary data from respondents who invested in mutual funds in Bangalore city with convenience sampling method. The collected data are analyzed on the basic of MS excel and using various tools and chi-square test.

The major findings reveal that the majority of investors are male and most of them are private and public sector employees. Many of investors invested for the purpose of tax benefits. The study finds that many investors are not aware about investment pattern in mutual funds and its risk and rewards. It suggests giving a advisements and campaign's in rural areas and necessary steps to improve the mutual fund sector.

Keywords:- Mutual Funds, Economy, Financial goal, Growth, Interest.

I. INTRODUCTION

A mutual fund is a trust that collects money from investors who share a common financial goal, and invest the proceeds in different asset classes, as defined by the investment objective. Simply put, mutual fund is a financial intermediary, set up with an objective to professionally manage the money pooled from the investors at large, investors can also enjoy economies of scale and can purchase stocks or bonds at a much lower trading costs compared to direct investing in capital markets.

The concept of mutual funds arrived for the first time in Netherlands in the 18th century and it introduced in India by Unit Trust of India (UTI) in 1960s, at the initiative of the Government of India and Reserve Bank of India. Today, there are a variety of schemes offered by mutual fund in India, which cater to different categories of investors to suit different financial objectives.

The investment experts who invest the pooled money on behalf of investors of the scheme are known as "fund manager". Those fund managers take the investment decision pertaining to the selection of securities and the proportion of investments to be made into them. A mutual fund is required to be registered with Securities and Exchange board of India (SEBI) which regulates securities markets before it can collect funds from public. The dividends, capital gains and profit from higher NAV are returns can be realized in mutual funds.

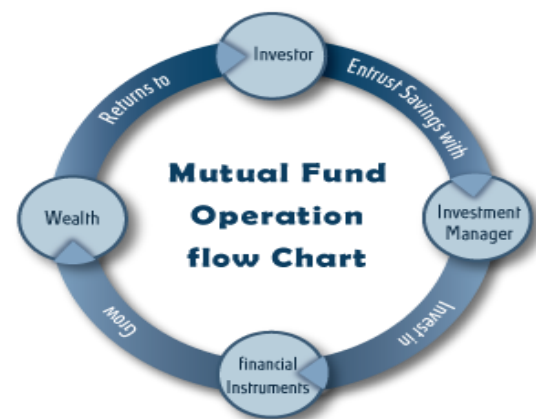


Fig 1:- The Flow Chart Below Describes the Working Process of Mutual Fund

Source: <https://www.mutualfundindia.com/>

II. ADVANTAGES OF INVESTING IN MUTUAL FUNDS

There are few major reasons why most of the investors afraid to take investment decision on their own. One of them is lack of time to study the pros and cons of different investment opportunities and lack financial know-how. These are the major advantages offered by the mutual funds to build their knowledge and to take investment decisions for all the investors:

- **Professional management:** mutual funds provides the benefits of professional management as the funds are managed by experience and skilled managers, who make investment research and analysis the market before selecting in the investment instruments to achieve the investors objectives.

- **Diversification:** “Do not put all eggs in one basket” diversification means to spread your portfolio across different instruments, sectors, industries and companies. It reduces the risk and assets allocation without investing a large amount that would be required to create an individual portfolio.
- **Economies of scale:** economies of scale are well structured and natural advantage. It is cheaper compared to investing directly in the capital market which involves higher charges. This also allows retail investors access to high entry level markets like real estate, and also there is a greater control over costs.
- **Liquidity:** open ended funds provide easy liquidity and investors can buy or sell units anytime, and net asset value based price. Closed ended funds are listed on a stock exchange where investors can redeem their units at the market price. Interval funds are also providing periodic liquidity option to its investors.
- **Flexibility:** mutual funds offer a variety of schemes, such as Systematic Investment Plan (SIP), Systematic Withdrawal Plan (SWP) and Systematic Transfer Plan (STP), they can systematically invest or withdraw funds according to their needs and convenience.
- **Transparency:** the mutual fund industry in India works on a very transparent basis, information available through fact sheets, offer documents, annual reports and promotional materials help investors gather knowledge about their investments.
- **Well regulated:** mutual fund industry in India is regulated and monitored by securities exchange board of India (SEBI). The regulatory environment in India is quite healthy, and ensures transparency in the processes and transaction.

III. NEED FOR STUDY

- Analyzing the individual investor’s profile.
- For studying the investment avenues and purpose of investing in mutual fund.
- The study was taken to compare the expected and derived rate of return on investment.
- Propose to know the knowledge and awareness of the mutual fund investors.

IV. OBJECTIVES

- To know the demographic details of investors in mutual funds.
- To find the most preferred avenue of investing in mutual funds.
- To explore the preferences of investors about different investment avenues.
- To identify the factors affecting the mutual funds.
- To examine the relationship between expected and derived return rate on mutual funds.

V. LIMITATIONS

- Respondents are not ready to disclose their investments, so they fail to fill the questionnaire.
- Sample size is limited because of limited time which is small to represent the whole mutual fund industry.
- People are not much aware about the mutual fund so they don’t want to invest the money.

VI. LITERATURE REVIEW

- Mrs. O. V. A. M. Sridevi (2018). Analyses the performance of mutual funds on selected mid cap and small cap funds. It studies the status of mutual funds and to measure the risk-return relationship and market volatility, it also examine the performance evaluation models namely Sharpe, Treynor, Jensen Ratio. The study resulted that assets under management of Indian mutual fund is growing and risk –return in mid-cap is neither or nor risky, but in small-cap good return and less risk occurred. It concludes that results of the study have showed that out of two scheme of both mid-cap and small-cap funds have evidences of outperforming the benchmark return and it can be said that the scheme have diversified results.
- Sudarmurthi, J, (2017) found the study on investors behavior towards mutual funds. The objective is to know the factor considered by the investors while going to invest, to know the performance and knowledge level of investors. It is found that majority of investors are male and are businessmen and explain the personal and social status of investors. However, investors consider their past investment experiences while taking investment decisions and economic stability is the key element effecting investment decision. Chi square test is conducted to know whether there is a significant difference among the profitable investment preferred by the investors but, it results that there is a significant difference among the profitable investment preferred by the investors. The evidence suggests that the various components reflect different investor objectives and information.
- Harshita garg and Rahul singal (2016) carried out a survey on behavior of mutual funds a study of Hisar city. The objective of the study is to Find out the factor which influencing the investors to prefer the investment in mutual fund and measures for extending the scope for investment in mutual funds, the survey revealed that investors having different objectives on their investment, there is also like appreciation, tax benefits and liquidly and people are not aware about mutual funds so firstly they have to aware about it , so many of them are not investing the money in mutual fund because of risk involved in this.
- Priyanka sharma and payal agarwal (2015) have examined investor’s perception and attitude towards mutual fund as an investment option. The objective of the study is to analysis the impact of demographic

factors in influencing buyer’s decision and to identify the intensity of various factors that adversely affect buyer’s decision. The study reveals that the investor’s perception is on the demographic profile and assesses that the investor’s age, marital status and occupation has direct impacts on investment pattern and decision making. It also have some barriers such as low awareness, too many formalities and difficult to select the investment avenue.

- Vipin kumar and preethi bansal (2014) had studied investor’s behavior towards mutual funds. It focused attention on number of factors that highlights investor’s perception about mutual fund and the main objective is to found investors preference over switching from fund and investment, it also found that preference of investor about different investment avenues. Data reviews that investors switches from a fund/schemes with a view to earn profit from changing market situation and that gold is yet most investment avenue. The suggestion is that to invest a reasonable part of investment to liquid security so that to meet any contingency. On the other it is required from government and regulatory bodies’ point of view that more laws should be there to secure the funds of investors to be exploited.
- R Padmaja (2013) conducted a study on consumer behavior towards mutual funds with special reference to ICICI prudential mutual funds. The objective of the survey is to know about the extent of awareness about mutual fund and to know the perceptions, preference of the investors. It is observed that 76% of investors are aware among 100% on mutual funds, investors of service class, business and professional like to invest to save tax. it concludes that the originations which provide are offering services have to provide full information and government also take steps to enrage people to invest in mutual funds and to cultivate saving habits.

- Dr. Nashi Sharma (2012) carried out a survey on Indian Investor’s perception towards Mutual fund. To analyses investors’ perspective towards investment, to understand the desirable characteristics of Mutual funds schemes and to summarize picture of different qualitative aspects which are essential to secure investor’s patronage to mutual funds. The survey explored the fund related attributes, monetary attributes and sponsor’s related attributes which may be offered to investors for securing their patronage. The results are expected to provide beneficial insight to mutual fund companies for tailoring their offers suitable to create the needs and expectation of Indian investors.

VII. RESEARCH METHODOLOGY

- **Population (N):** mutual fund investors of the Bangalore region in Karnataka.
- **Sampling size(n) :** 91 respondents from Bangalore city
- **Sampling technique:** Convenience sampling method under non-probability sampling technique.
- **Research design:** descriptive research is adopted because it explains characteristics of a population and present scenario of investors.

➤ *Primary Data:*

Data collected by the investigator himself for a specific purpose, they are the first handed data is known as primary data. The primary data was collected through structured questionnaire. The responses are collected from 100 respondents at a response rate of 91%.

➤ *Secondary Data:*

Data collected by someone else for some other purpose and data that already exist are secondary data. The secondary data are collected from Websites, previous research and books for proper understand.

VIII. DATA ANALYSIS AND INTERPRETATION

Analysis of Demographic profile of the investor

| <i>Gender</i> | <i>Respondents</i> | <i>Percentage%</i> |
|---------------|--------------------|--------------------|
| Male | 59 | 64.83 |
| Female | 32 | 35.16 |
| Total | 91 | 100 |

Table 1

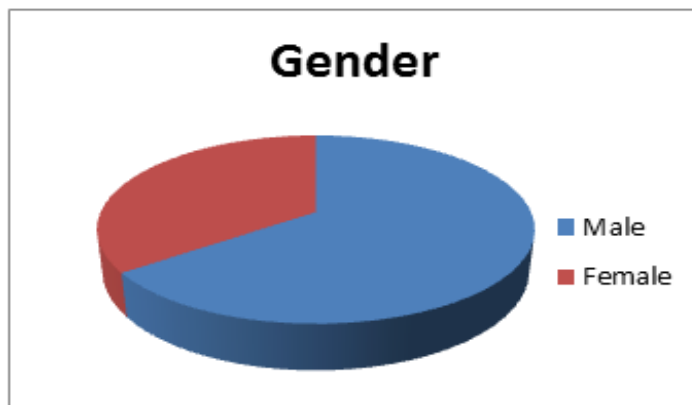


Chart 1:- Gender

➤ *Analysis:*

The above table depicts the gender of the investors where (59) 64.83% of Male and (32) 35.16 of Female investors invested in mutual funds.

➤ *Interpretation:*

Most of the families male person will earn and invest in mutual funds and the countries like India where females are dominated by male even if a women have a knowledge about the investment she does not take step to investing

| S. NO | AGE GROUP OF INVESTORS | RESPONSE | PERCENTAGE% |
|-------|------------------------|----------|-------------|
| 1 | 20-30 | 9 | 9.89 |
| 2 | 31-40 | 28 | 30.76 |
| 3 | 41-50 | 42 | 46.15 |
| 4 | Above 50 | 12 | 13.18 |
| | TOTAL | 91 | 100 |

Table 2

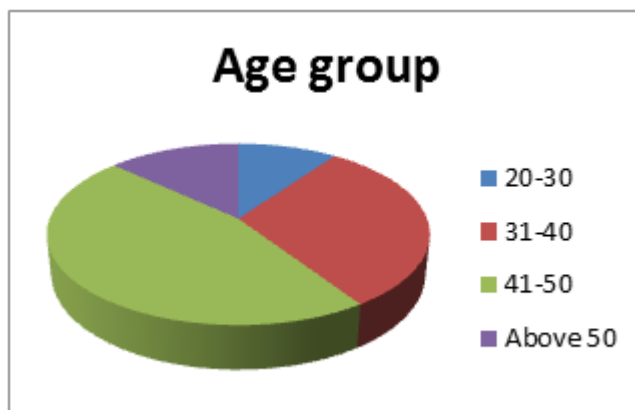


Chart 2:- Age group

➤ *Analysis:*

The above table shows the age group of investors invested in mutual funds. The highest number of investors at the age group 41-50 (46.15%) and (9.89%) 20-30 is the lowest number of investors invested in mutual funds.

➤ *Interpretation:*

Most of the investors invest at the age of 41-50, because the salary scale is high and they try to increase the wealth by investing. Many of the investors are invest with the financial objectives like children’s higher education, cool retirement planning, daughter’s marriage etc.

| Qualification | Respondents | Percentage% |
|---------------|-------------|-------------|
| UG | 20 | 21.97 |
| PG | 49 | 53.84 |
| Ph.D. | 22 | 24.17 |
| Total | 91 | 100 |

Table 3



Chart 3:- Qualification

➤ *Analysis:*

Out of 91 respondents, (53.84%) 49 respondents are post graduated and 22(24.17%) respondents are Ph.D. holders are invested in mutual fund.

➤ *Interpretation:*

Many of the investors are not invested in mutual funds because investors are not aware about how mutual fund works. Mutual funds are subject to market risk, so investors should have more knowledge. An educational qualification is also important for the investors to analysis the market and invests.

| Occupation | Respondents | Percentage% |
|--------------------------------|-------------|-------------|
| Service (Private And Public) | 60 | 65.93 |
| Business (Owned) | 25 | 27.47 |
| Student | 6 | 6.59 |
| Total | 91 | 100 |

Table 4

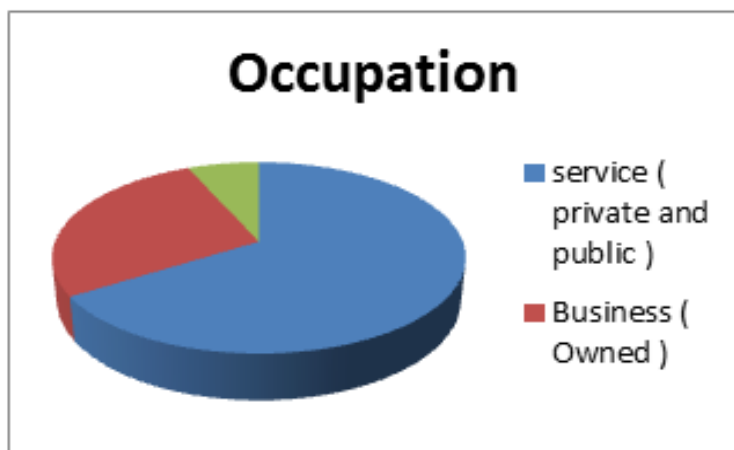


Chart 4:- Occupation

➤ *Analysis:*

Table D indicates occupation status of investors. Out of 91 respondents 60 (65.93%) are salaried, 25 are owned business and rest of them are students.

➤ *Interpretation:*

As per the studies, who are in service (private sector and public sector) they receive the fixed rate of remuneration every month, so they are more interested to invest in mutual funds to archive the financial objectives like savings and tax benefits etc. most of the investors like to invest in SIP (systematic investment plan) and many avenues.

| Income level | Respondents | Percentage% |
|----------------------|-------------|-------------|
| Less than 300000 Rs | 7 | 7.69 |
| 300001rs -500000 Rs | 21 | 23.07 |
| 500001 rs-1000000 Rs | 47 | 51.64 |
| More than 1000000 Rs | 16 | 17.58 |
| Total | 91 | 100 |

Table 5

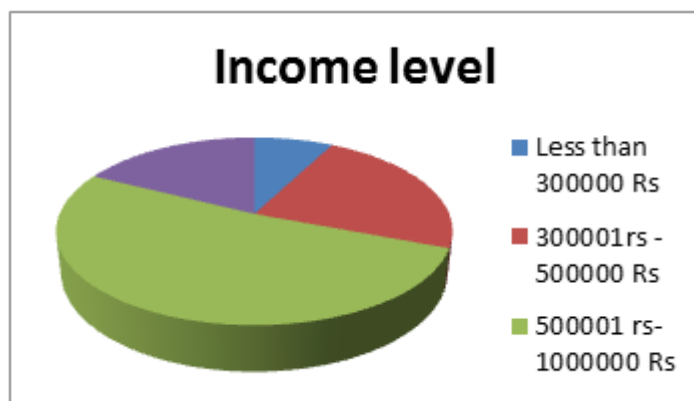


Chart 5:- Income Level

➤ *Analysis:*

Out of 91 respondents 47(51.64%) of investors have income level of 500001-1000000rs are invested, 21(23.07%) respondents have an income of 300001-500000Rs are invested in mutual funds.

➤ *Interpretation:*

As regards to income level of investors, the Earning capacity of the investors is very high, so the investors are normally belongs to high class. Due to high income investors try to balance the growth and savings, so investor’s preferred to invest in stock market and mutual funds which they can get high return and tax benefit with risk.

| Purpose of Investment in Mutual Funds | | |
|---------------------------------------|-----------|--------------|
| Opinion | Responses | Percentage % |
| high return | 13 | 14.28 |
| tax benefit | 28 | 30.76 |
| Saving | 19 | 20.87 |
| wealth creation | 20 | 21.97 |
| risk diversification | 11 | 12.08 |
| total | 91 | 100 |

Table 6

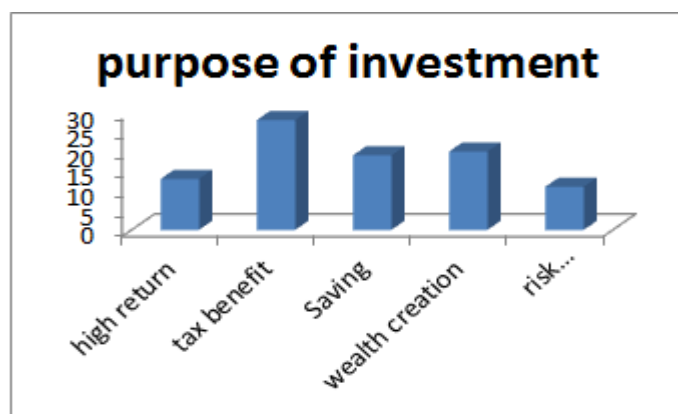


Chart 6:- Purpose of Investment

➤ *Analysis:*

Table 1 reveals that, investors preferred to invest for the purpose of tax benefit in the first instance, with the highest responses of 28 (30.97%). The second preferences towards wealth creation (21.97%) 20 respondents are invested in mutual funds for the purpose of wealth creation.

➤ *Interpretation:*

The five purpose of investing in mutual funds is shows in the above table. The most important benefit or

purpose is to get tax benefits. There are some funds also known as equity linked saving schemes (ELSS), fixed deposits, national pension system (NPS), voluntary savings funds, national saving certificate (NSC) and Unit linked insurance plan (ULIP) etc. they get deduction under section 80C and additional deduction under sec 80 CCD 1(B). Second most purpose is for wealth creation (21.97%). Most of the investors are employees under private and public sector so they have a good opportunity to get deduction.

| Investment Avenues | | |
|---------------------|-----------|------------|
| Avenues | Responses | Percentage |
| Shares | 9 | 9.89 |
| Fixed Deposit | 15 | 16.48 |
| Post Office Service | 20 | 21.97 |
| Real Estate | 13 | 14.28 |
| Gold | 9 | 9.89 |
| Mutual Funds | 8 | 8.79 |
| Insurance | 12 | 13.18 |
| Others | 5 | 5.49 |
| Total | 91 | 100 |

Table 7

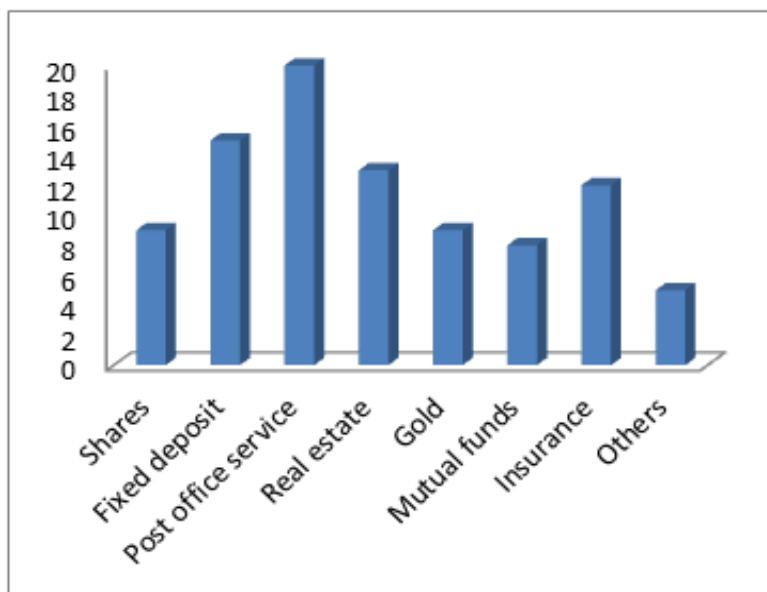


Chart 7:- Investment Avenues

➤ *Analysis:*

In above table 3, clearly explain that the most likely investment Avenue is Post Office Services where 20 (21.97%) investors are invested. Fixed deposits are on 2nd number and as follows.

➤ *Interpretation:*

The preference of investors is to safe mode first and most of the respondents are belongs to 41- 50 age Group, they invest to achieve their financial goals like cool retirement, children’s higher education, daughter’s marriage etc.

| Sources of Information on Mutual Funds | | |
|--|-----------|--------------|
| Sources | Responses | Percentage % |
| Prospects | 16 | 17.58 |
| Brokers/Agents | 23 | 25.27 |
| Annual Report | 15 | 16.48 |
| Advertisement | 19 | 20.87 |
| Newspaper | 10 | 10.98 |
| Magazines | 2 | 2.19 |
| Friends & Families | 6 | 6.59 |
| Total | 91 | 100 |

Table 8

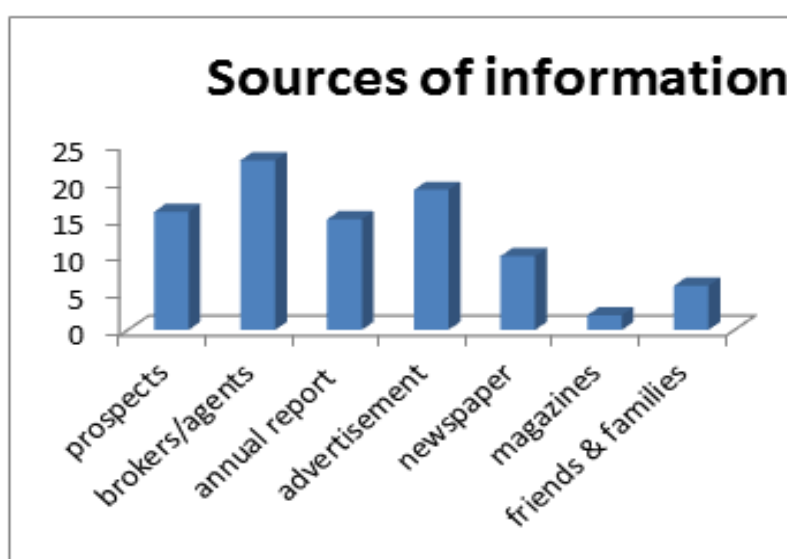


Chart 8:- Sources of Information

➤ *Analysis:*

Table 3 explained that the (25.27%) 23 investors are acquainted mutual funds from agents and brokers. 2nd most source of information is advisement where (20.87%) 20 investors invested by looking Ads.

➤ *Interpretation:*

Brokers and agents are intermediates in the process of purchasing and selling of mutual funds. They give an advisory and marketing of the mutual funds services to public by using marketing strategies and investors also getting aware about the mutual funds and Advertisements given by government of India and other firms which help investor to more aware about mutual funds.

| Factors Affecting Investors In Mutual Funds | | |
|---|-----------|--------------|
| Factors | Responses | Percentage % |
| Government Policies | 13 | 14.28 |
| Brokers Commission | 22 | 24.17 |
| Banking And Financial Service | 30 | 32.96 |
| Maturity Date | 16 | 17.58 |
| Experiences | 10 | 10.98 |
| Total | 91 | 100 |

Table 9

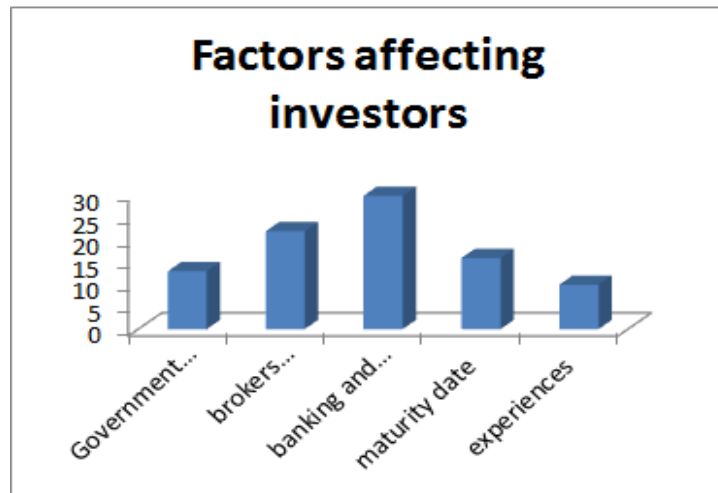


Chart 9:- Factors Affecting Investors

➤ *Analysis:*

From the above table, It explains that the banking and financial services (32.96%) is most affecting factors to investors and 2nd factor affects the investors is broker’s commission (24.17%) which is charged by financial and brokerage institutes.

➤ *Interpretation:*

It explains that the banking and financial services are most affecting factors to investors like inadequate level of employee’s knowledge, higher rate of brokerage charges, technical problems and miscommunication among clients and management. One of the common factor affects the

investors is broker’s commission which is charged by financial and brokerage institutes may high rate.

Chi- square test: Analyzing the relationship between expected rate of return and derived rate of return. Derived rate of return is independent variable and expected rate of return is dependent variable.

• *Hypothesis:*

Null hypothesis (H0): The expected rate of return and derived rate of return is independent.

Alternative hypothesis (H1): The expected rate of return and derived rate of return is not independent.

| Rate of Return | Observed | Expected | O-E | (O-E) ² | (O-E) ² /E |
|----------------|----------|----------|-----|--------------------|-----------------------|
| Less than 5% | 10 | 12 | -2 | 4 | 0.333333 |
| 6%- 10% | 21 | 23 | -2 | 4 | 0.173913 |
| 11%- 15% | 27 | 24 | 3 | 9 | 0.375 |
| 16%- 20% | 22 | 19 | 3 | 9 | 0.473684 |
| More than 20% | 11 | 13 | -2 | 4 | 0.307692 |
| Total | 91 | 91 | | | 1.663623 |

Table 10

| | |
|---------------------|-------|
| Chi- Square | 1.66 |
| Df assumption. | 4 |
| level of signifienc | 0.05 |
| table value | 9.488 |

Table 11

➤ *Analysis:*

From the above table level of significance value is less than 0.05. The calculated value (1.66) is less than table value (9.488). Hence accept the null hypostasis.

Null hypothesis (H0): The expected rate of return and derived rate of return is independent.

➤ *Interpretation*

The above table reveals that the relationship between expected and derived rate of returns from mutual funds. There is no relationship between the expected and derived rate of return they both are independent, because there are other confounding variables like investors knowledge, market flection etc. ware also important variables to expect the return on investment.

IX. FINDINGS

- On the evaluation the male respondents are high then female respondents.
- While examining the maximum numbers of respondents are in the age group of 41 to 50 and follows.
- The study reveals that maximum respondents are post graduates (PG).
- It is found that most of the respondents are salaried in public and private sectors.
- As regards to income level of respondents. The majority of the respondents are earning 500001 to 1000000.
- The majority of respondents are invested for the purpose of tax benefits.
- The respondents preferred to invest in Post office service as safest investment avenue.
- The survey examined that the respondents are get to know about the mutual funds by advertisement
- Among the various factors, banking and finance service is the factor affecting on the respondents.
- On the evaluation there is no relationship between derived and expected rate of return they both are independent.

X. SUGGESTIONS

Mutual funds is a type of financial vehicle made up of a pool of money collected from many investors to invest in market, but there are some problems and factors which affect the market. The researcher examined that the behavior of the Investor can be affected by many of internal as well as external environment. In order to avoid various problems and poor performance of the mutual funds following steps may be taken:

- **Provide complete information about the mutual funds:** according to study many of the investors were not have knowledge on the mutual funds, so asset management companies and Brokerage firms should give complete information regarding working process of mutual funds. It helps to maintain the good relationship among the investors and companies and it also help to increase the loyalty among the investors.
- **Awareness among the investors:** many of the investors are still not aware about the mutual funds schemes and its risk and return. Still they straggle for choice the best avenues to invest, because the investor's analysis only past few months' results but mutual funds deals with long term process of investment. So mutual fund industry should give information and even investors also are aware about the industry and increase the investment.
- **To Satisfy investor's financial needs:** every investors have their own purpose to invest in mutual funds like Savings, high return, tax benefit and wealth creation etc., so fund manager should try to full fill the needs of the investors. It helps to enrage among the investors to invest more and investors stay for the long period in market.

- **Optimum use of technology:** technology is a great advantage in financial sector. It helps to reduce the paper works and processing cost, firms also provide a desktop websites and mobile applications to make services easy to access for investors.

Government polices: The Securities & Exchange Board of India and the government are working on sweeping changes to the policy on mutual funds. Tax breaks, pension money comes into mutual funds. In India, we don't allow it, But SEBI is of the opinion that a portion of it should be allowed. These kinds of policies are maybe effect to investors to invest in mutual funds.

- **Brokerage and commission:** brokerage fees are charged by the broking firms on the Net Asset Value (NAV). Many Brokerage firms are charging high rate of the brokerage, so it effect to investors to earn dividend and capital gain. Investors also should pay a commission to Asset management companies and by motivating them.

- **Advertise in rural areas:** In India many rural areas were not aware about the mutual fund, so the government and private companies should conduct the campaigns and advertisement actives to attract investors towards mutual funds.

XI. CONCLUSION

A mutual fund sector is one of the fastest growing sectors in India, more than 4 fold increases in a span of 10 years. The group of people parks their funds to achieve their financial objective by selecting suitable schemes and avenues. The main advantages of the mutual funds are diversification, professional management and liquidity.

As per the study every investors have their own perception in mutual funds. But they fail, because lack of awareness and knowledge, government policies, market fluctuation and many other factors are effect on mutual fund industry. The most of the investors have some myths and misconception associated with investing in mutual fund schemes, so the AMC (Asset Management Companies), brokerage firms and investment banks should take a actions to avoid such myths and misconception.

Before investing in mutual funds the investors also cultivate the habit of conducting a research and analyzing of past few years performance of particular schemes and avenues which helps to know about the risk and rewards of schemes. The government also should take some measures to encourage rural people to know about the mutual fund sector and to invest in mutual funds.

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