BEHAVIOUR OF MUTUAL FUND INVESTORS TOWARDS INVESTMENT OPTION: MUTUAL FUND

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ABSTRACT

Purpose: *The purpose to conduct this study is to found out the main objective to invest in mutual fund schemes by retail investors and types of mutual fund schemes in which they like to invest.*

Design/ Methodology: *For the purpose of the study, sample of 100 mutual fund investors belonging to FARIDABAD city and Delhi city has been taken. Fifty respondents are from each city. Data has been collected from both primary and secondary sources by questionnaire filled by 100 mutual fund investors and from various journal, books and Newspapers etc. respectively. Various statistical techniques have been used for analyzing the data such as frequency, mean and f-test.*

Findings: *On basis of analysis of data it can be concluded that investors invest in mutual fund scheme for good return, safety and tax benefits. To achieve these objectives they select growth schemes and balanced schemes.*

Originality/Value: *The detailed discussion about the mutual fund selection behavior of retail investor is an original contribution of this paper.*

Keywords: *Retail investors, UTI, AMFI*

INTRODUCTION

Mutual funds have emerged as an important investment avenue for retail investors. A mutual fund is an investment vehicle for who pool their Savings for investing in diversified portfolio of securities. By the definition of AMFI “Mutual fund in India is a kind of collective investment that is managed professionally. In Mutual fund in India, the money is collected from a large number of investors and then it is invested in bonds, stocks, and various other securities. The fund manager of Mutual fund in India collects the interest income which is then distributed among the individual investors on the basis of the number of units that they hold”. A mutual fund invites the prospective investors to join the fund by offering various schemes so as to the requirements of different categories of investors. There are a number of mutual fund schemes according to suit the needs and preferences of investors. Mutual funds in India are now governed under the SEBI (securities exchange board of India) regulations 1996. In India there are various companies which are dealing in mutual fund such as Reliance Mutual Funds, HDFC, ABN Amro, AIG, Bank of Baroda, Canara Bank, Birla Sun Life, DSP Merrill Lynch and DBS Chola Mandalam.

REVIEW OF LITERATURE

Some of the important theoretical and empirical studies related to investors’ behavior regarding mutual fund have been reviewed here. A study has been done by Rajeswari (1998) to know the factors influencing fund/scheme selection behavior of retail investors. It was revealed that most preferred investment vehicle is bank deposit and mutual fund is not preferred at that time. Chakarabarti and Rungta (2000) carried out a survey of mutual fund investors. The study concluded that the brand image factor is basically influencing the investors for investing in mutual fund schemes. This brand image cannot be easily captured by computable performance measures. It influences the investor’s perception and hence his fund/scheme selection behavior.

Karmakar (2000) conducted a study on the investment behavior of household sector of rural block in west Bengal of 50 investors covering different employment status, age, income and education. The main objective of the study was to investigate the factors, which play significant role in the choice of investment of household i.e. income effect on saving and investment pattern, education effect the choice of investment and individual perception towards risk and return. The finding suggest that life insurance policy is found to be most popular investment avenue followed by recurring deposits in banking, fixed deposits etc. A very few investors who are educated and belong to high income categories only have invested in shares and debentures. Khaneman and Riepe (1998) explored various aspects of investors psychology and it was discovered that the client should be aware of the uncertainty which is attached with the investment and Broker should communicate realistic odd success to the client before making an investment decision consider the possibility that the trace is based on random factors through historical volatilities and covariance.

Sai kishore (2011) conducted a study on mutual funds in India. This study shows that mainly there are two types of funds equity and debt funds. Diversified equity has done very well while sartorial categories have fared poorly in Indian market. Index Funds have delivered much less compared to actively managed Funds. Gilt and Income Funds have performed very well during the last three years. They perform best in a falling interest environment. Since interest rates are now much lower, short term Funds are preferable. Diversified equity – Zurich Equity, Franklin India Bluechip, Sundaram Growth. These Funds show good resilience giving positive results. Gilt Funds – DSP Merrill Lynch, Tata GSF, and HDFC Gilt have done well. Income Fund – HDFC, Alliance, Escorts and Zurich are top performers Short Term Funds – Pru ICICI, Franklin Templeton is recommended.

OBJECTIVES OF THE STUDY

The overall aim is to conduct a study on mutual fund selection behavior of retail investors. It can be further sub-divided in to the following objectives:

1. To discover the investment objectives of selected mutual fund investors.
2. To identify the types of mutual fund schemes preference by elected mutual fund investors.
3. To identify the investment experience of sampled respondents.
4. To discover the investment frequency of sampled respondents.

RESEARCH METHODOLOGY

Both primary as well as secondary sources have been used for data analysis. The primary data has been collected by a structured questionnaire filled by two hundred MF investors. For collecting secondary data various websites, journal, books and Newspapers etc are used. A convenient research method has been used for collecting data from sampled respondents belonging to Faridabad city and Delhi city. The sample consists of one hundred mutual fund investors. Various statistical techniques have been used with the help of SPSS to analyze the data, such as mean, ranking and chi square test.

Analysis and Interpretation

To achieve above objectives, we analysis the data and presents the results here-in -under.

Table 1: Objectives of Mutual Fund Investment of Sample Respondents

Objective of MF	Mean Rank	Overall Rank
Safety	3.12	2
Good Return/Capital Appreciation	1.70	1
Tax Benefit	3.60	3
Liquidity	4.00	4
Diversification	4.78	5

The respondents were given a list of 5 objectives of mutual fund investment. They were asked to rank 1 for most preferred and 5 for least preferred. From the responses recorded in Table 1, mean values were calculated. On the basis of these mean ranks the investors gave most preference to ‘Good return/ Capital appreciation’ next comes ‘Safety’ and tax benefits with mean rank of 1.7, 3.12 and 3.60 respectively That’s why they prefer the ‘gold’ as an investment avenues due to age old safest avenues and then ‘Bank Deposits’ and ‘Mutual funds’ investment avenues because they get reasonable return along with safety and tax benefits. After that, they prefer the liquidity and diversification respectively.

Table 2: Type of Mutual Fund Scheme Preferred by Sample Respondents

Type of Scheme	Mean Rank	Overall Rank
Growth	2.37	1
Balanced	2.90	2
Income	4.28	5
Money Market	4.27	4
Tax Saving	3.85	3
Index	5.64	7
Fixes Maturity	4.69	6

On examining the Table 2, it is observed that majority of the investors prefer ‘Growth’ scheme with mean rank (2.43) because these schemes provide capital appreciation in the value of investment for long run investment. Balanced schemes stand at second rank because it has the feature of both appreciations in stock as well as regular return in the shape of interest and dividend. A large number of mutual funds have come up with schemes which ensure tax benefits to the subscribers besides some income and small appreciation in value of units so, tax saving schemes got third rank. Money market schemes got forth rank. Fifth rank is given to Income scheme. These funds aim at providing maximum current return/income to the investors. Index fund and fixed maturity plans are least preferred.

Table 3: Investment Horizon of Mutual Fund Investment of Sample Respondents

Investment Horizon	No of Respondents
Less than or equal to 1 year	7
Above 1 year to 2 years	45
Above 2 year to 5 years	35
Above 5 years	13

Investment horizon of mutual fund investment has been divided in four periods such as less than I year, above 1 year to 2 years, above 2 year to 5 years and above 5 years. One point is given for less than or equal to 1 year investment and 4 points are given for investment above 5 years. Table 3 shows that out of 100 respondents 7 respondents invest money for less than or equal to 1 year, 45 respondents invest for above 1 year to 2 years, 35 respondents invest money for above 2 year to 5 years and 13 respondents invest money for above 5 years. Therefore, it can be said that majority of the respondents invest money for above 1 year to 2 years.

Table 4: Investment Experience of Sample Respondents

Investment Experience	No of Respondents
Very Experienced Investor	27
Experienced Investor	19
Somewhat Experienced Investor	30
Somewhat New Investor	17
Very Un-experienced Investor	7

Investment experience of sample respondents has been divided in to five categories which vary from very experienced investor to very un-experienced investor. The Table 4 shows that out of 100 respondents, 30 respondents are somewhat experienced investor, 27 are very experienced investor, 19 are experienced investor, 17 are somewhat new investor and 7 are very un-experienced investor.

Table 4: (a) Investment Experience of Sample Respondents based on Gender

	Gender	N	Mean	t-value	Sig.
Investment Experience	Male	76	3.487		
	Female	24	3.208	0.952	0.98

The sample respondents were asked to classify themselves on the basis of their investment experience on a five point scale which varies from very experienced to very inexperienced investor. Five points are given to very experienced investor and one point is given to very inexperienced investor. The mean values depicting investment experience of male and female investors are 3.487 and 3.208 respectively as shown in table no 4 (a) which indicate that male and female investors are somewhat experienced investor and are moving towards being experienced investor. The t-value depicting difference in mean value of male and female respondents is 0.952, which is insignificant. This shows that investment experience of male and female respondents is not significantly different.

Table 4: (b) Investment Experience of Sample Respondents based on Age

Age	N	Mean	f-value	Sign
Below 30	53	3.075	3.418	0.02*
31-45	31	3.806		
46-60	14	3.929		
Above 60	2	3.000		
Total	**100**	**3.42**		

***Significant at 5 percent level**

It can be seen from the table no 4 (b) that the investment experience of respondents has been analyzed across various age groups. The mean values depicting investment experiences 3.075, 3.806, 3.929 and 3.000 for age group below 30, 31-45, 46-60 and above 60 year respectively. The calculated f-value is 3.418, which is significant at 5 percent level. This shows that there is significantly difference in investment experience across various age groups.

Table 4: (c) Investment Experience of Sample Respondents based on Academic Qualification

Investment Experience				
Academic Qualification	**N**	**Mean**	**f-value**	**Sign**
Senior Secondary(10+2)	19	3.158	0.441	0.724
Graduate	36	3.556		
Postgraduate & Above	28	3.464		
Professional	17	3.353		
Total	**100**	**3.420**		

It can be seen from the table no 4 (c) that the investment experience of respondents has been analyzed across various academic qualifications. The mean value depicting investment experiences are 3.158, 3.556, 3.446, 3.353 for academic qualifications senior secondary, graduate, postgraduate & above, and professionals respectively. This implies that respondents possessing different academic qualification belong to the group of somewhat experienced investor and moving towards being experienced investor. The calculate f-value is 0.441 which is insignificant at 5 percent level. This shows that there is not significant difference in investment experience across various academic qualifications.

Table 4: (d) Investment Experience of Sample Respondents based on Occupation

Investment Experience				
	N	Mean	f-value	Significance
Professional	26	2.962	2.704	0.05*
Business	35	3.829		
Service	35	3.400		
Retired	4	3.000		
Total	**100**	**3.420**		

***Significant at 5 percent level**

In table no 4 (d) shows that the investment experience of respondents has been analyzed across various occupations. The mean value showing investment experiences of various occupational groups are 2.962, 3.829, 3.400 and 3.000 for occupation group professional, businesspersons, service class and retired class respectively. The mean value shows that professional and retired class respondents are somewhat experienced investors but businesspersons and service respondents are currently somewhat experienced investor and moving towards the status of being experienced investors. The calculate f-value is 2.704 which is significant at 5 percent level. This shows that there is significant difference in investment experience across various academic qualifications.

Table 4: (d1) Post Hoc Analysis of investment experience of sample Respondents across various Occupations (Bonferroni Test)

(I) occupation	(J) occupation	Mean Difference (I-J)	Sig.
Professional	**Business**	**-0.867**	**0.043***
	Service	-0.438	1.000
	Retired	-0.038	1.000
Business	**Professional**	**0.867**	**0.043***
	Service	0.429	0.865
	Retired	0.829	1.000
Service	**Professional**	**0.438**	**1.000**
	Business	-0.429	0.865
	Retired	0.400	1.000
Retired	**Professional**	**0.038**	**1.000**
	Business	-0.829	1.000
	Service	-0.400	1.000

***Significant at 5 percent level**

A further analysis with the help of post hoc test shows that the overall difference is primarily due to the difference in investment experience of professionals and businesspersons, which is significant at 5 percent level. Businesspersons are more experienced than professionals. Other occupation groups do not vary significantly in their investment experience.

Table 5: Investment Frequency of Sample Respondents

Investment frequency	No of Respondents
Regularly	29
Sometimes	50
Rarely	21

Investment frequency of sample respondents has been divided in to five categories, which vary from regularly investment to rarely investment. The table no 5 shows that out of 100 respondents, 29 respondents invests money regularly, 50 invest sometimes and 21 respondents invest money rarely. Therefore, fifty percent respondents invest money sometimes in mutual fund.

Table 5: (a) Investment Frequency of Sample Respondents based On Gender

	Gender	N	Mean	t-value	Sign
Investment frequency	Male	76	2.145	1.645	.98
	Female	24	1.875		

The sample respondents were asked to classify themselves on the basis of their investment frequency, on a three point scale which varies from regularly investment to rare investment. Three points are given for regular investment and one point is given if the respondents invest rarely. The mean values depicting investment frequency of male and female investors are 2.145 and 1.875 respectively as shown in table no 5 (a). This shows the investment frequency of female respondents in comparing to male respondents is less. The f-value depicting difference in investment frequency of male and female respondents is 1.645, which is insignificant. This shows that investment frequency of sample Respondents across gender is uniform.

Table 5: (b) Investment Frequency of Sample Respondents based on Age

Investment frequency				
Age	N	Mean	f-value	Sign
Below 30	53	1.868	4.557	0.005*
31-45	31	2.323		
46-60	14	2.214		
Above 60	2	3		
Total	**100**	**2.08**		

***Significant at 1 percent level**

It can be seen from the table no 5 (b) that the investment frequency of respondents has been analyzed across various age groups. The mean values depicting investment experiences are1.868, 2.323, 2.214and 3.000 for age group below 30, 31-45, 46-60 and above 60 year respectively. This implies that the first 3 age group neither invest regularly nor rarely. They invest sometimes in mutual fund schemes. Respondents belonging to age group above 60 invest regularly in mutual fund scheme. The calculate f-value is 4.557 which is significant at 5 percent level. This shows that there is significant difference in investment frequency across various age groups

Table 5: (b1) Post Hoc Analysis of investment experience of sample Respondents across Various Age Groups (Bonferroni Test)

(I) Age	(J) Age	Mean Difference (I-J)	Sig.
Below 30	**31-45**	**-0.455**	**0.021***
	46-60	-0.346	0.534
	Above 60	-1.132	0.127
31-45	**Below 30**	**0.455**	**0.021***
	46-60	0.108	1.000
	Above 60	-0.677	1.000
46-60	**Below 30**	**0.346**	**0.534**
	31-45	-0.108	1.000
	Above 60	-0.786	0.748
Above 60	**Below 30**	**1.132**	**0.127**
	31-45	0.677	1.000
	46-60	0.786	0.748

***Significant at 5 percent level**

A further analysis on the basis of post hoc test shows the overall difference is primarily due to difference in investment frequency of age group of below 30 and 31-45 age bracket which is significant at 5 percent level. The other age groups do not significantly vary in their investment frequency.

Table 5: (c) Investment Frequency of Sample Respondents based on Academic Qualification

Investment frequency				
	N	**Mean**	**f-value**	**Sig.**
Senior Secondary(10+2)	19	2.053	0.152	0.928
Graduate	36	2.083		
Postgraduate & Above	28	2.143		
Professional	17	2.000		
Total	**100**	**2.08**		

It can be seen from the table no 5 (c) that the investment frequency of respondents has been analyzed across various academic groups. The mean values depicting investment frequency are 2.053, 2.083, 2.143, 2.000 for academic qualification senior secondary, graduate, postgraduate & above, and professionals respectively. This implies that professional respondents sometimes invest money in mutual fund schemes. Other academic qualification groups also invest money sometimes but they are also moving towards being regular investor. The calculate f-value is 0.152 which is insignificant at 5 percent level. This shows that there is no significant difference in investment frequency across various academic qualifications.

Table 5: (d) Investment Frequency of Sample Respondents based on Occupation

Investment frequency				
	N	**Mean**	**f-value**	**Sig.**
Professional	26	1.923	0.851	0.47
Business	35	2.200		
Service	35	2.057		
Retired	4	2.250		
Total	**100**	**2.080**		

Table no 5 (d) shows that the investment frequency of respondents has been analyzed across various occupations. The mean value showing investment experience of various occupational groups are1.923, 2.200, 2.057 and 2.250 for occupation group professional, businesspersons, service class and retired class respectively. The mean value shows that professional and retired class respondents invest money sometimes in mutual fund schemes but businesspersons and service groups also invest money sometimes but they are also moving towards being regular investor. The calculate f-value is 0.851 which is insignificant at 5 percent level. This shows that there is no significant difference in investment frequency across various occupations

Table 6: Past Performance of Mutual Fund Investment of Sample Respondents

Past Performance of MF	No of Respondents
Excellent	2
Good	55
Average	39
Poor	4

Past performance of mutual fund for respondents has been divided in to four parts excellent return to poor return. The table no 6 shows that out of 100 respondents, just 2 respondents got excellent return on money invested by them in mutual fund, 55 respondents got good return, 39 got average return and only 4 respondents got poor return. Therefore, most of respondents got good or average return.

Table 6: (a) Past Performance of Mutual Fund Investment of Sample Respondents across Gender

	Gender	N	Mean	t-value	Sig.
Past Performance of MF	Male	76	2.539	-0.306	.134
	Female	24	2.583		

Past performance of mutual fund investment of sample respondents across Gender, on a four point scale which varies from poor return to good return. Four points are given for excellent return and one point is given for poor return. The mean values depicting past performance of mutual fund investment of sample respondent of male and female investors are 2.539 and 2.583 respectively as shown in table no 6 (a). This indicates that the past performance of mutual fund for respondents is average. The t-value depicting difference in mean value of male and female respondents is -0.306, which is insignificant. This shows that past performance of mutual fund of sample respondents of male and female respondents are not significant different.

Table 6: (b) Past Performance of Mutual Fund Investment of Sample Respondents on the basis of Age

Past Performance of MF				
Age	**N**	**Mean**	**f-value**	**Sig.**
Below 30	53	2.396	3.667	0.15
31-45	31	2.742		
46-60	14	2.786		
Above 60	2	2.000		
Total	**100**	**2.55**		

It can be seen from the table no 6 (b) that the past performance of mutual fund investment for respondents has been analyzed across various age groups. The mean values depicting past performance in mutual fund investment are2.396, 2.742,2.786 and 2.000 for age group below 30, 31-45, 46-60 and above 60 year respectively. This implies that the past performance of mutual fund for first three age groups is good. Respondents belonging to age group above 60 got average return in mutual fund scheme. The calculate f-value is 3.667 which is insignificant at 5 percent level. This shows that there is not significant different in past performance across various age groups

In table no 6 (c) the past performance of mutual fund investment of respondents has been analyzed across various academic groups. The mean values depicting past performance of mutual fund are 2.421, 2.611, 2.679, 2.353 for academic qualification senior secondary, graduate, postgraduate & above, and professionals respectively. It can be concluded that senior secondary, graduate, postgraduate and professionals got same return on money invested in mutual fund. The calculate f-value is 1 which is insignificant at 5 percent level. This shows that there is no significant difference in past performance across various academic qualifications.

Table 6: (c) Past Performance of Mutual Fund Investment of Sample Respondents on the basis of Academic Qualification

Past Performance of MF				
	N	**Mean**	**f-value**	**Sig.**
Senior Secondary(10+2)	19	2.421	1	0.238
Graduate	36	2.611		
Postgraduate & Above	28	2.679		
Professional	17	2.353		
Total	**100**	**2.55**		

Table 6: (d) Past Performance of Mutual Fund Investment of Sample Respondents on the basis of Occupation

Past Performance of MF				
	N	**Mean**	**f-value**	**Sig.**
Professional	26	2.538	0.812	0.49
Business	35	2.657		
Service	35	2.486		
Retired	4	2.250		
Total	**100**	**2.550**		

Table 6 (d) indicates that the past performance of mutual fund has been analyzed across various occupations. The mean value showing past performance of mutual fund for various occupational groups are2.583, 2.657, 2.486 and 2.250 for occupation group professional, businesspersons, service class and retired class respectively. This implies that that Money invested in mutual fund by professional, businesspersons, service persons and retired persons got same return. The calculate f-value is 0.812 which is insignificant at 5 percent level. This shows that there is not significantly difference in past performance of mutual fund across various occupations.

CONCLUSION

The major objective of this paper is to discover the investment objectives of selected mutual fund investors and to identify the types of mutual fund schemes preference by elected mutual fund investors. The results presented that the main objective behind to invest in mutual fund is good return, safety and tax benefit. The research also suggested that the growth schemes and balanced schemes are most preferred in comparison to other schemes. Male and female respondents do not significantly different across investment experience. Graduate respondent are less experienced as compare to other academic qualified respondents. If investment experience is analyzed on the base of occupation than it is found that servicemen and professionals are less experienced in compare to other occupational groups.

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