

“AN EMPIRICAL STUDY ON INVESTORS BEHAVIOURAL PATTERN TOWARDS MUTUAL FUND”

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Abstract

Indian mutual fund has gained a lot of popularity from the past few years. As the time passes this industry has become a buzz word in the Indian financial system. Mutual funds have seen a tremendous growth in the last few years. This is the result of combined efforts of the brokerage houses and the fund managers who come to one's rescue by educating the investors and making them aware of the mutual fund schemes by different modes of promotion, So it is very important to know the investors' perception about this industry. The present study analyses the mutual fund investments in relation to investor's behaviour. Investors behaviour has been studied on the basis of factors influencing like Tax benefit, Flexibility, Mobility, Different available schemes, low transaction cost, Professional Management, etc. The main objective behind investing in mutual fund scheme, role of financial advisors and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. This study is very important in order to judge the investors' behaviour in a market like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies. This studies will be helpful to the mutual fund companies to know the factors which are influencing and preventing investors behaviour towards Mutual Funds. The scope of study is to increase awareness of investors towards mutual funds. This study will also give awareness about the factors which are preventing investors to invest in mutual fund so that mutual fund companies can focus on that factors and try to overcome the limitations.

Key words: Mutual Fund, Investors behaviour, Factors influencing and preventing

Introduction:

In India, the mutual fund concept emerged in 1960. The credit goes to UTI for introducing the first mutual fund in India. Monetary Funds benefited a lot from the mutual funds. Earlier investors used to invest directly in the stock market and many times suffered from loss due to wrong speculation. But with the coming up of mutual funds, which were handled by efficient fund managers, the investment risks were lowered by a great extent. The diversified investment structure of mutual funds and diversified risk contributed tremendously in the growth of mutual funds.

In this era of globalization and competition, the success of an industry is determined by the market performance of its stock. The investors too like to invest only in the stock of those companies from which they

can get maximum gains. In early years of growth of mutual fund industry, investors were available only with few investment avenues to invest their money. But with the passage of time a lot of opportunities are available to the investors for investing their money in different investment channels. One such channel is to invest in mutual funds along with effective financial management. Mutual funds have seen a tremendous growth in the last few years. This is the result of combined efforts of the brokerage houses and the fund managers who come to one's rescue by educating the investors and making them aware of the mutual fund schemes by different modes of promotion.

A Mutual fund is a trust that pools the savings of a number of investors' who share a common financial goal. The money collected from investors' is invested in capital market instrument such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit's holder in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at relatively low cost. The mutual fund will enclose a fund manager who is accountable for investing the collected money into particular securities (usually stocks or bonds). By pooling money collectively in a mutual fund, investors can acquire stocks or bonds with much lesser trading costs than if they tried to do it on their own. But the prime benefit to mutual funds is diversification.

Objectives :

1. To analyse the factors influencing investors to invest in mutual funds.
2. To analyse the factors responsible for preventing investors to invest in mutual funds.
3. To suggest suitable measures to enhance the level of awareness and to formulate measures to protect the interests of the investors.

Research Methodology:

This research is based on secondary data collected through publication, journals, and newspapers.

Factors influencing investors

1. DIVERSIFICATION:

The beauty of a mutual fund is that it diversifies the portfolio across a large number of securities so as to mitigate the risk. It can be taken place by spreading the money over numerous securities. Asset management companies provide investors with more diversification and investing options than they would have by themselves. There is no need to worry about the fluctuations of the individual securities in the fund's portfolio. Thus, by investing in mutual funds, the investor can avail the benefits of diversification and asset allocation without investing a large amount of money that would be required to create an individual portfolio.

2. PROFESSIONAL MANAGEMENT:

The retail investors may not have the know-how to trade in the markets. The funds are managed by fund managers appointed by Asset Management Company (AMC) who are experienced and skilled professionals and they are responsible for investing the money into various securities and oversight by the Trustees. They make research on investment and analyse the performance and prospects of various instruments before selecting a particular investment. The professionals will have real time access to crucial market information and can trade on the large and the most cost effective scale.



3. WIDE RANGE OF OFFERS:

A mutual fund company can offer many varieties of schemes. According to AMFI there are many companies offering wide range of schemes in India. The schemes consist of stock funds, bond funds, sector funds, target-date mutual funds, money market mutual funds and balanced funds. The availability of different types of mutual funds allows the investor to build a diversified portfolio at low cost and without much difficulty. The investors can choose from various kinds of scheme available to them. The risk-seeker investors can go for more aggressive schemes while risk-averse investors can go for income scheme funds.

4. VERY SMALL AMOUNT OF INVESTMENT

A mutual fund enables an investor to participate in a diversified portfolio with very small amounts. There is no other way to invest with reasonable diversification with an amount as low as Rs 500. SIP (Systematic Investment Plans) of a lot of mutual funds allow minimum investment with just Rs 500.

5. AUTOMATIC REINVESTMENT OPPORTUNITY

The investors can easily and automatically reinvest their capital gains and dividends into their mutual fund without a sales load or extra fees. This will take advantage of compounding interest, which essentially means that the interest, dividends, and gains will go to buy more units of mutual funds, rather than the cash coming out and being deposited into a separate account.

6. TRANSPARENCY:

Mutual fund holdings are publicly available, which ensures that investors are getting what they pay for. Investors can also see the underlying securities (stocks, bonds, cash, or a combination of those) that the mutual fund portfolio holds. All of the information need to know can easily be found on the mutual fund company's website, through fact sheets, offer documents, annual reports, newspapers and promotional materials help investors gather knowledge about their investments.

7. LIQUIDITY:

The investors can get cash from most mutual funds within a few days. The investors can sell their mutual fund units as and when they need money. The sale proceeds will be available as soon as the day after the sale of mutual fund. Some mutual funds have a "settlement" period of up to three days. This level of liquidity is much better than some investment assets, such as real estate. The unit holders can sell their open-ended scheme units at their fund house at any time. Even the close-ended schemes, the unit holder can sell the units on a stock exchange at the prevailing market price. Besides, some close-ended and interval scheme allow direct repurchase of units at NAV related prices from time to time. Thus investors do not have to worry about finding buyers for their investments.

8. AUDITED RECORDS:

A mutual fund company has to maintain performance track records for each mutual fund and audited them for accuracy, which ensures that investors can trust the mutual fund's stated returns. The audit involves the examination of fund accounting systems for calculation of net asset values, financial accounting and reporting system for the AMC, unit-holder administration and servicing systems for customer service, funds flow process, system processes for meeting regulatory requirements, prudential investment limits and access rights to systems interface. Accordingly, these systems audits will be conducted once in every two years. A systems audit report and compliance status will be presented before the trustees of the mutual fund. The systems audit report/findings, along with trustee comments, are to be communicated to SEBI. Mutual fund companies also offer a prospectus for each fund, as well as semi-annual or annual reports.

9. CONVENIENCE:

An investor can place an order with the broker or can go online to buy mutual fund. The investor can move funds easily from one fund to another, within a mutual fund family, which allows investor to easily rebalance the portfolio to respond to significant fund management and economic changes.

10. WELL REGULATED:

Mutual funds in India are regulated and monitored by the Securities and Exchange Board of India (SEBI). In 1996, SEBI formulated the Mutual Fund Regulation. Along with SEBI, mutual funds are regulated by RBI, Companies Act, Stock exchange, Indian Trust Act and Ministry of Finance. The SEBI strives to protect the interests of mutual fund investors. RBI acts as a regulator of Sponsors of bank-sponsored mutual funds, especially in case of funds offering guaranteed returns. Mutual funds provide up to date information to the investors about their investments in addition to other disclosures like specific investments made by the scheme and the proportion of investment in each asset classes.

11. ECONOMIES OF SCALE:

Large number of investors and huge amount of investments will result in minimizing the fund's transaction costs, commissions and other fees to a considerable extent. Thus, mutual funds are comparatively less expensive than direct investment in the capital markets.

12. TAX BENEFITS:

The investments in Equity Linked Saving Schemes (ELSS) offer tax rebates to investors Under Section 80C of the Indian Income Tax Act 1961. The Capital gains from the above Mutual Funds are tax-free in the hands of the investor.

Factors preventing:-

1. RISKS ASSOCIATED:

It is well said that Higher the Risk, Higher the Returns. Tolerance for risk varies from one individual to another. Hence individual disposition can be Conservative, Aggressive, and Moderate. The important obstacles which discriminate between investor and non-investor are conception of high risk associated with the market followed by inefficiency on the part of investment advisor to give the right advice to the prospective and present investors. As the small investors are always concerned about the high risk in equity schemes, right information about the product portfolio must be provided by the company.

Conclusion:

The mutual fund is the smart investment choice for the investor depending on the investment objective and strategy. Diversification, professional management, wide range of offerings, automatic reinvestment opportunity, transparency, well regulated, economies of scale are some of the clear reasons for investment in mutual funds. There is a risk associated with that but internet is a great source of information, investors has to analyse properly to take investment decision. Investors can also take help of advisory people who gives proper guidance for investment in mutual funds.



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