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MUTUAL FUND INVESTORS' PERCEPTION AND BEHAVIOR: A COMPREHENSIVE STUDY

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ABSTRACT: Mutual funds have been the subject of inquiry and study by academics, researchers, and finance sector professionals. The mutual fund sector can only grow if more consumers see them as a secure way to put their money to work. Investors come from various walks of life and all income brackets, and they all have different investment goals and risk tolerances. Understanding the demographics and economics of a market is essential to developing products that will appeal to investors. A person's risk appetite is indicative of their asset allocation strategy. If you want to make better educated decisions on investments like mutual funds, it could benefit to know what other people consider. Consistent performance evaluation allows mutual fund strategies to build credibility. The studies' findings are then used to target specific investors more effectively. Some of the aims of this study are as follows: Investors' perspectives on mutual funds and their actions when dealing with them should be investigated first. In August of 2022, we want to launch this qualitative research project. In order to gauge investor sentiment, we conducted a random survey of 250 people who hold mutual fund assets. The data is collected with the help of Google forms, and then analyzed with SPSS.

Keyword: Regulations Investor’s perception, mutual funds and Investment Dimension

1. INTRODUCTION

Mutual funds contribute significantly to the economy because they enable pooling of resources and distribution of capital to areas where it may be most productively used. These investments will increase the number of people who have access to financial services, reduce global economic volatility, and strengthen the business sector as a whole. Therefore, mutual funds have developed into reliable mediators that strengthen the economy and improve the efficacy of resource allocation. The mutual fund industry in India is one of the fastest-growing sectors of the country's economy. These products' appeal as a way of stock market investment has increased dramatically in recent years, especially among individuals and families. Such tactics have recently gained popularity in the USA. With the intention of providing investors with a diverse portfolio, a predictable rate of return, and professional management, mutual funds made their debut on the Indian Capital Market in 1964. Since then, they have seen nothing short of spectacular growth, increasing both their workforce and their revenue, attracting the interest of investors along the way. The mutual fund industry plays an important role in the economy and must be able to respond rapidly to shifts in the market by differentiating their products and gaining insight into the factors that influence their customers' views on the value of their investments.

Financial loss, whether through the loss of the initial investment or the loss of earnings, is the "risk" of any investment. The possibility of loss of value is yet another definition of risk. A fund's risk is mostly determined by the fund's investment aim and the assets it holds. Investors should read the prospectus carefully before purchasing shares to have an understanding of the fund's risks. It is vital for the direction of mutual fund investments to comprehend how investors budget for the aforementioned shocks and risks. In order to raise money, mutual funds can do what any other organization does and offer shares of stock to the general public. The firm purchases stocks, bonds, and other money market instruments using the cash it has received through the sale of its assets and investment earnings.

2. REVIWE OF LITERATURE

Mutual funds were created in the Netherlands in the 18th century, but Dr. Nishi Sharma of the Unit trust of India brought them to India in the 1960s. Mutual fund management was identified as India's most attractive investment potential due to its flexibility to accommodate a wide variety of investor profiles and investment perspectives. It was speculated that the price tag would be out of reach for most people. But it never caught on with Indian investors as the default option. Over the course of nearly six decades (1965-2011), the value of assets under management (AUM) in the mutual fund industry saw significant fluctuations. Investors who own mutual units make up a sizable fraction of the market in the West, but in India, the product never caught on. The purpose of this post is to examine the factors that contribute to mutual funds' unfavorable reputation as an investment vehicle. Investors' views on the merits of different mutual fund companies' various schemes and funds are analyzed and contrasted. The analysis uses principal component analysis as well as other techniques for reducing the number of potential factors. The potential usefulness of six fund/scheme-related variables, four financial advantage-related variables, and four sponsor-related variables in recruiting investors was investigated. The results should allow mutual fund companies to better meet the expectations and requirements of Indian investors.

Anjum, M.D., and Simran Saini, Ph.D. The percentage of Indians who put money into mutual funds has shot up in recent years. After UTI's monopoly crumbled, numerous competitors entered the market, leading to intense competition. Most Indians recognize this sector as it has gained prominence in the country's economy. For this reason, it is crucial to gauge the sentiment of investors. This piece examines mutual funds and the roles they play in investors' portfolios. A large number of factors, including the type of mutual fund scheme, the main reason for investing in mutual funds, the role of financial advisors and brokers, the factors that attract them to invest in mutual funds, the sources of information, the shortcomings in the services provided by the mutual fund managers, the challenges facing the Indian mutual fund industry, and so on, have been thoroughly analyzed from the perspective of investors.

Aswathy A. Nair, Arathy B., Anju Sai P., Pravika R. Prasad, and Pravithya N.R. are the authors, from left to right. Mutual funds create a level playing field for investing in the Indian stock market by pooling investors' money and entrusting it to experienced fund managers. The rising value of assets managed by India's several fund providers is indicative of the industry's fast expansion. Investors who choose a lower level of risk may find more success in mutual funds. The goal of this study is to uncover the underlying logic behind institutional investors' preference for mutual funds over direct investment. The barriers that discourage would-be investors from purchasing mutual funds are also investigated in this study. The results will aid mutual fund companies in refining their marketing strategies and identifying problem areas. This will aid mf firms in coming up with ground-breaking new products, which is essential for pleasing their investors.

A doctor named B.S. Srilakshmi For the vast majority of people in the United States, mutual funds will continue to be the sole viable investment option. Every area of life has its ups and downs, and you just have to roll with it. That has been the trend in the stock market recently.

3. RELATED WORK

Mutual funds, like any other investment, are susceptible to losses in value. Putting money into the stock market is risky business. There is always a chance that things won't work out. Even with the expert protections that come with a diversified investment vehicle, investing in the stock market bears risk due to the inherent instability of the financial system. Mutual fund investments are vulnerable to fluctuations in the stock, bond, currency, and money markets. The "risk" of an investment is the possibility that it will lose all of its value (principal + interest) or will not produce the desired return. Even while it is willing to take on investment risk, the regulations that control it ensure that the money is invested wisely and that the costs associated to the investments are kept within realistic levels. Most mutual funds adhere rigorously to the risk-reward principle. An investment's potential for gain increases as its loss grows. In order to reduce their clients' exposure to risk, fund managers distill the benefits of diversification into a more digestible form. However, diversity can mitigate risks that aren't systemic. The investment objective and holding pattern of a fund are two of many elements that might determine the level of risk associated with the fund. Therefore, a thorough understanding of the market's inherent risks is essential for investors. Investors can lessen their risk by familiarizing themselves with the prospectus, the market, and basic finance concepts.

Theoretical underpinning

Trivedi, Trivedi, Rajesh, et al.[9] Investor demand for a wide range of financial products in India must rise in tandem with the country's efforts to provide that need. This research detailed the myriad potential negative outcomes that can occur as a result of investing in a mutual fund. This information was gathered through a survey sent to mutual fund investors and those who don't often invest in mutual funds. The writers look into how demographics, financial awareness, and access to capital all play a role in investors' decisions. The availability of low-risk funds and the fund's liquidity plan were found to influence investors' evaluations of the fund's attractiveness. Based on their findings, the researchers concluded that it was more challenging than they had anticipated to increase the number of investors in the mutual fund business. The development of this sector depends on increasing the financial literacy of young people and women. The government recognizes this deficiency and is taking steps to remedy it by including financial literacy instruction in the curricula of all pre-university and undergraduate students.

This year (2015), Ganapathi[5] Indian mutual funds are growing in significance as more money is invested and more mutual fund plans are developed. This may be investigated further as more mutual fund schemes are being created. There is a statistically significant link between investor education and a propensity to take risks, as shown by the data. Higher-educated investors have a better chance of achieving professional success. Mutual fund expertise was not strongly

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associated to the investors' employment status or monthly savings rates. The rate of risk-free returns is often used as a proxy for measuring a fund's performance. We will use this information to determine which opportunities and strategies to pursue for investment. The schemes' low returns were caused by the fund manager's reluctance to take risks, lack of understanding of when to make investments, poor stock selection skills, and inadequate diversification.

Debt and balanced plan investment fund managers have proved their ability to locate companies at reasonable prices and to diversify their portfolios, the author finds. If investors were given the option, more money would be invested in a mutual fund. Mutual funds in the private sector have expanded and fared better than their public sector equivalents. Among investors' equity mutual funds, Jaspal Singh and Subash Chander (2006)[7] place them sixth. Investors between the ages of 20 and 35 with steady income favored closed-ended equity-oriented plans. Before making major decisions about their assets, investors often discussed them with brokers, specialists, and financial counselors. Mutual fund investment returns were reported to be highly variable by many respondents, notably those in the middle income range and those between the ages of 35 and 50.

Need for Professional Investment Dimension

The term "investment dimensions" is used in the context of assisting investors in developing their own investment portfolios, and can refer to anything from a set of principles to a planned perspective to an established method. In contrast to low-return investment channels like bank deposits and post office savings, mutual funds provide a means for people to invest that is both rational and needs-based. Investment plans that are well-rounded take into account the investor's time horizon, their risk tolerance, and the current market conditions. Improved returns can be achieved by strictly enforcing returns in accordance with an effective dimension. If you want to buy shares in a mutual fund, you need to read the offer document the AMC gives you first. The market usually behaves as if a fund's past results are a reliable predictor of the fund's future success. This indicates that investors place a high degree of weight on past results when making investment choices. When trying to predict how a mutual fund will perform in the future, investors should first review the fund's information sheet and its track record.

Investors can get the most up-to-date information and details on the funds by visiting the websites of AMCs and downloading digital PDFs of the papers. Individual investors may find it difficult to choose the right mutual fund because of the time and effort involved. Mutual funds are evaluated on their track records, with many investors attributing the fund's stellar results to the managers' ability to ride out market fluctuations. Many investors lose money because they fail to account for the negative impact that fund fees have on their results. Investors are less likely to purchase funds that have higher total costs, such as those with higher brokerage fees or front-end loading. Due to the significant degree of volatility in fund outcomes, investors are only presented with operating cost percentages rather than the exact amounts of these charges.

Concept about perception towards Investments

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Behavioral finance is a subfield of finance that combines insights from psychology to the study of markets in order to better understand the factors that influence the decisions of individual investors. When a person consistently saves or puts money aside for future needs, they are investing. Changing people's personalities is impossible, but investors can get a head start on retirement by familiarizing themselves with their financial choices. Investors' emotional responses to changing market conditions and their own subjective assessments of their financial standing are the focus of behavioral finance. In order to meet one's future financial obligations, it is deemed more vital to make investments with a longer time horizon. All income levels in India have access to the same long-term financial security opportunities in India's financial markets. Many people today make decisions on retirement savings, mortgages, home equity loans, and other large purchases independently of their partners or families. The trajectory this pattern is on seems likely to continue. As a result, the number of people actively trading on financial markets skyrocketed. The overall behavior of the stock market follows the patterns established by its individual members. It is clear from a review of the most widely used approaches that investors have their pick of tools with which to evaluate and forecast a company's profitability. These techniques analyze past price trends, current and prospective financial performance, and accounting ratios to predict the direction of stock prices. It is crucial to take into account the breadth, depth, and impact of human behavior when making financial decisions, as advocated by the principles of behavioural finance.

4. ANALYSIS

Findings

When establishing financial commitments, investors' actions are greatly impacted by their own personalities. The next section elaborates on the different kinds of respondents that were included in this analysis.

Table 1: Socio-Economic characteristics

Socio-economic characteristics		N	%
Age	<30 years	28	11.20
	30-40 years	124	49.60
	<40 years	98	39.20
Gender	Male	218	87.20
	Female	32	12.80
Education	School level	37	14.80
	Graduates	143	57.20
	Post graduates	54	21.60
	Others	16	6.40
Occupation	Private employees	48	19.20
	Government employees	72	28.80
	Business	63	25.20
	House wife	34	13.60
	Others	33	13.20
Annual income	<Rs. 5 Lakhs	51	20.40
	5 to 10 lakhs	78	31.20
	>10 lakhs	121	48.40
Monthly saving	< 20%	7	2.80
	20%-40%	53	21.20
	41%-60%	127	50.80
	61%-80%	39	15.60
	>80%	24	9.60
Total		250	100.00

Only 11.20 percent of responders were younger than 30 years old, but they made up nearly half of the total. Of the responders, 98 (or 39.20%) are in their 40s. There were 218 males (87.20%) and 30

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women (12.80%) that filled out the survey. There are 37 persons (14.8%) who have only completed elementary school, 143 (57.20%) who have completed high school, 54 (21.60%) who have completed college, and 16 (6.40%) who have completed some higher level of education.

The workforce consists of 72 people who work for the government (28.80%), 63 people who are self-employed (25.20%), 48 people who are employed by private firms (19.20%), and 34 people who are homemakers (13.60%). Participants are also broken down into groups based on their reported annual household income. The annual household income of the 51 people surveyed was less than 5 million rupees. Annual salaries range from $5–$10 million for 31.8% of respondents, and $10–$50 million for 48.5% (121 people). How they choose to invest their money is strongly determined by how much money they are able to put aside each year. Only 7.2% of respondents reported having no disposable income after paying all expenses (making less than 20% of their income), whereas 50.80% reported being able to save between 41% and 60% of their income. Of the whole sample, 9.60% (24 people) say they can save more than 80% of their income, and 15.60% (39 people) say they can save 61% to 80% of their income.

Table 2: Investors behaviour

Investment behaviour		N	%
Risk taking	Very high	35	14.00
	High	48	19.20
	Moderate	114	45.60
	Less	33	13.20
	Very less	20	8.00
Awareness	Well	49	19.60
	Some what	179	71.60
	Less	22	8.80
Belief in wealth creation	Very high	163	65.20
	High	51	20.40
	Moderate	24	9.60
	Less	8	3.20
	Very less	4	1.60
Belief in regular return	Very high	37	14.80
	High	92	36.80
	Moderate	77	30.80
	Less	26	10.40
	Very less	18	7.20
Total		250	100.00

Participants are asked to provide their thoughts on the level of risk they are willing to take. Over half of respondents (45.60%) are willing to accept some degree of portfolio risk, as shown by the data. Most respondents (71.60%) know only a little bit about investing in mutual funds, while only 49 people (1.940%) know a lot. Investors are surveyed on their confidence in the mutual fund's success. Sixty-five point twenty percent of people who took the survey agree wholeheartedly with this assertion. Twelve percent of those polled strongly disagree. The percentage of people who had a high level of confidence in income from mutual fund investments ranged from 34.8% to 36.6%, with the remaining 30.80% having a moderate level of confidence.

Behaviour

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Investor sentiment toward a mutual fund could play a role in whether or not that fund is purchased. To help quantify the impact, a regression model is provided. There are six points of view taken into account: risk perception, return According to the summary of the model, the R value is 0.957 and the R Squared value is 0.916. It demonstrates that the model's variance is 91.6% explained by the six predictor variables. This matters greatly.

Table 4 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4884.260	5	976.852	530.500	0.000[b]
	Residual	449.296	244	1.841		
	Total	5333.556	249			
a. Dependent Variable: Investment behaviour						
b. Predictors: (Constant), Risk perception, return perception, investment criteria, awareness, financial literacy						

With a 1% threshold of significance and 5 degrees of freedom, the F value from the ANOVA analysis was 530.500. The result shows that the model is effective. As a result, we will refer to the table below when discussing the coefficient values.

Table 5 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.057	0.356		-5.783	0.000
	Risk perception	1.258	0.089	0.308	14.089	0.000
	Return perception	0.938	0.083	0.257	11.300	0.000
	Investment criteria	1.232	0.096	0.315	12.833	0.000
	Awareness	0.797	0.091	0.190	8.802	0.000
	Financial literacy	1.331	0.086	0.318	15.560	0.000
a. Dependent Variable: Investment behaviour						

If the statistics in the table above is any indication, the predictors have a major bearing on whether or not an investor decides to put money into a mutual fund. Risk perception (14.089), return perception (11.300), investment criterion (12.833), awareness (8.802), and financial literacy (15.560%) all have t-values that are significantly higher than the critical threshold of 1.96. We draw the conclusion that the way an investor feels about their portfolio has a major bearing on how much of their money they put into mutual funds.

Implications

perception, investment criterion, knowledge, and financial literacy. The behavior of the mutual fund investor is the one being studied. Below, we'll go over the model's findings.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.957[a]	0.916	0.914	1.35697
a. Predictors: (Constant), Risk perception, return perception, investment criteria, awareness, financial literacy				

Mutual funds were not even on the radar of most investors until recently. In this regard, it is crucial for a country's financial system to expand. Educating the population as a whole can help them better understand the effects of the saving and investment cycle on a country's economy. Changes in the criteria used to invest in mutual funds, for instance, could be beneficial to our economy. In business, many people who have the potential to be successful hold back out of fear of failure. Gordon and Natarajan (2013) report that. Several demographic factors, including age, gender, monthly saving, and others, will determine the mutual fund industry's destiny.

5. CONCLUSION

Investors are continuously on the lookout for reliable ways to increase their wealth. The study's overarching objective was to investigate investors' attitudes on mutual fund purchases. Those with a middle-class income or more place a premium on liquidity and income stability when making investment decisions. Taking risks increases the likelihood of a positive financial outcome. The money would do better as an investment if given the chance. The survey certainly understates the variety of reasons people invest in mutual funds. Investor morale and confidence can be boosted with the right actions. One approach is to increase access to and understanding of mutual funds. They need to be kept reasonably and accurately informed on market shifts through a number of channels. Until something better comes along, mutual funds are all that investors have had.

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