

## AN EMPIRICAL ANALYSIS OF INVESTOR BEHAVIOR IN MUTUAL FUND INVESTMENTS

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### ABSTRACT

*This study examines the behavior of investors in mutual funds in India. The research aims to understand the factors influencing investment decisions, awareness, and preferences of investors. A survey of 100 respondents was conducted, and the results show that safety, returns, and tax benefits are the primary considerations for investors. The study also highlights the importance of financial literacy, investor education, and awareness about mutual funds.*

**Keywords:** Mutual Funds, Investor Behavior, Financial Literacy, Awareness, Investment Decisions.

### INTRODUCTION

Mutual funds have become a popular investment option in India, offering diversification and professional management. However, investor behavior and decision-making processes are not well understood. This study aims to bridge this gap by examining the factors influencing investment decisions, awareness, and preferences of investors in mutual funds. The study also explores the demographic characteristics of investors and their investment habits.

### RELATED WORK

Previous studies have examined investor behavior in various contexts, including stock market investments and retirement savings. However, few studies have focused specifically on mutual fund investments in India. Research has shown that investor behavior is influenced by factors such as financial literacy, risk tolerance, and investment goals.

### KEY CONTRIBUTION

This study contributes to the existing literature by providing insights into the behavior of investors in mutual funds in India. The findings of this study can help mutual fund companies and financial advisors better understand investor needs and preferences. The study also highlights the importance of financial literacy and investor education in promoting informed investment decisions.

### Life cycle guide to financial planning

LIFE STAGE	CYCLE	FINANCIAL NEEDS	ABILITY INVEST
Childhood stage	Taken care parents	of by	Investment of gifts
Young unmarried	Immediate and short term	Limited due to higher spending	Liquid plans and short term investment some exposure to equity and pension product
Young married stage	Short and intermediate term housing and insurance needs consumer finance needs	Limited due to higher spending cash flow requirements are also limited	Medium to long-term investment ability to take risks fixed income insurance and equity products
Young married with children	Medium to long term children" s education Holiday consume and finance Housing	Limited Financial planning needs are highest at this stage is ideal discipline spending and saving regularly	Medium to long-term investment ability to take risks portfolio of products for growth and long term

Married with older children	Medium term needs for children	Higher saving ratios recommended for intermittent cash flows higher	Medium term investment with high liquidity needs portfolio of products including equity debt and pension plans
Retirement stage	Short to medium term	Lower saving ratios higher requirement for regular cash flows	Medium term investment preference for liquid and income generating products low appetite for risky investment

### WEALTH CYCLE CLASSIFICATION OF INVESTORS

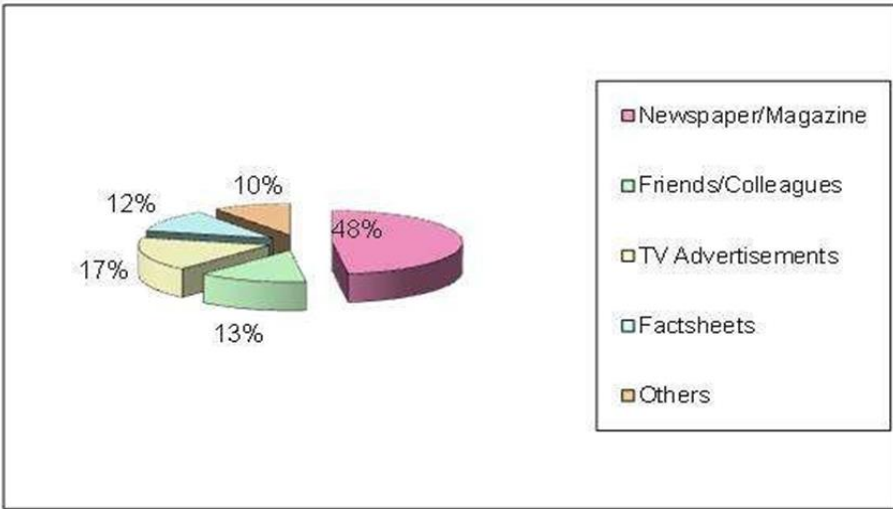
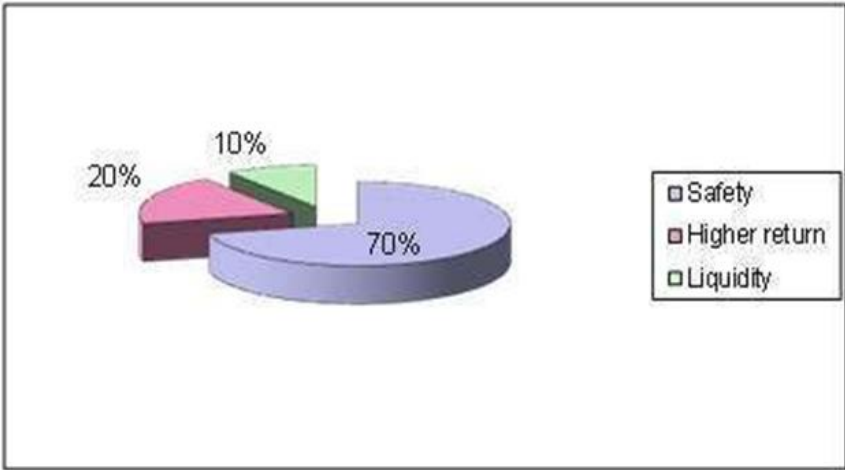
STAGE	FINANCIAL NEEDS	INVESTMENT PREFERENCES
Accumulation stage	Investing for long term identified financial goals	Growth option and long term products. High risk appetite
Transition stage	Near term needs for funds as per specified needs draw closer	Liquid and medium term investment. Preference for income and debt products.
Reaping stage	Higher liquidity requirements	Liquid and medium term investment., for income low risk appetite
Inter generation transfer	Long term investment of inheritance	Low liquidity needs, Ability to take risks and invest for the long term
Sudden wealth surge	Medium to long term	Wealth preservation. Preference for low risk products.

### ASSET ALLOCATION STRATEGIES FOR INVESTORS

Basic Managed Portfolio	50% in diversified equity value funds 25% in government securities fund 25% in high grade corporate bond fund
Basic Indexed Portfolio	50% in stock market index fund 50% in bond market index fund
Simple Managed portfolio	85% in balanced fund 15% in medium term bond fund
Complex Managed Portfolio	20% in diversified equity fund 20% in aggressive growth fund 10% in specialty fund 30% in long term bond funds 20% in short term bond funds
Readymade Portfolio	Single index fund with 60% in equity and 40% in debt

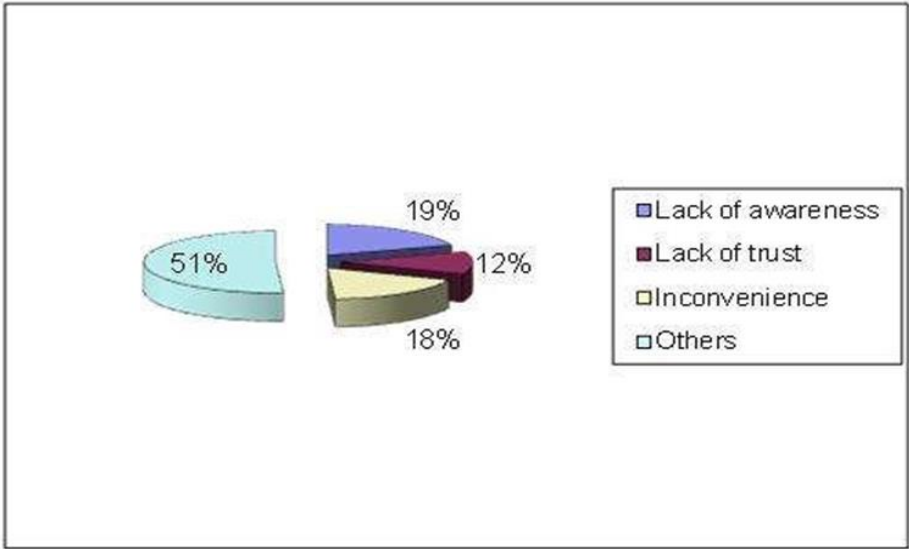
### METHOD, EXPERIMENTS AND RESULTS

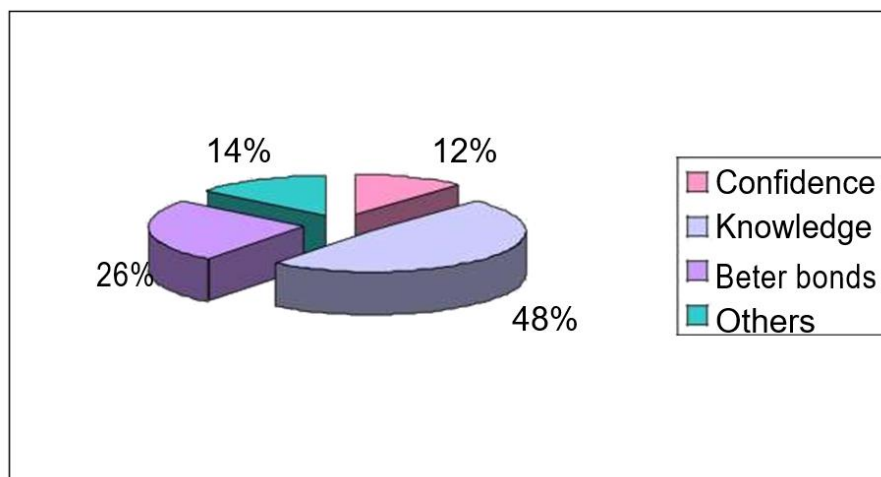
This study employed a survey research design, with a sample of 100 respondents. The survey questionnaire was designed to gather information on demographic characteristics, investment behavior, and awareness of mutual funds. The sampling method used was convenient sampling and judgmental sampling. The data was collected through personal interviews and online surveys.



SPECIFIC APPREHENSIONS ABOUT INVESTING IN MUTUAL FUNDS

REASONS FOR NOT INVESTING IN MUTUAL FUNDS





## RESULTS

The results of the survey show that:

- 70% of respondents prioritize safety when investing in mutual funds.
- 67% of respondents invest in mutual funds for regular income generation.
- 29% of respondents invest in mutual funds for tax saving.
- 51% of respondents prefer to invest in mutual funds for a period of less than one year.
- 71% of respondents are aware of mutual funds.
- 80% of respondents are aware of the tax benefits of investing in mutual funds.
- Businessmen are more likely to invest in current accounts, while ladies prefer to invest in gold and jewelry.
- Service class individuals and retired persons prefer to invest in savings accounts and fixed deposits.

## DISCUSSIONS

The findings of this study have implications for mutual fund companies, financial advisors, and policymakers. To increase investor participation in mutual funds, it is essential to improve financial literacy, investor education, and awareness about mutual funds. Mutual fund companies can develop investor-friendly products and services that cater to the needs of diverse investor groups.

## CONCLUSION

This study provides insights into the behavior of investors in mutual funds in India. The findings highlight the importance of financial literacy, investor education, and awareness about mutual funds. Mutual fund companies and financial advisors can use these findings to develop targeted marketing strategies and improve investor outcomes.

## RECOMMENDATIONS

Based on the findings of this study, the following recommendations are made:

- Improve financial literacy and investor education among rural and semi-urban populations.
- Increase awareness about mutual funds through targeted marketing campaigns.
- Develop investor-friendly products and services that cater to the needs of diverse investor groups.
- Educate agents or salesmen properly to provide effective guidance to investors.
- Mutual fund companies should conduct seminars and workshops to educate investors about mutual funds.

## LIMITATIONS

This study has several limitations, including:

- Small sample size
- Limited geographic scope
- Reliance on self-reported data

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**FUTURE RESEARCH DIRECTIONS**

Future research can focus on exploring the impact of demographic factors on investor behavior in mutual funds. Additionally, research can examine the role of financial literacy and investor education in promoting informed investment decisions.

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