International Journal for Research in Engineering Application & Management (IJREAM)
ISSN : 2454-9150 Vol-05, Issue-04, July 2019

An investigation on investor's behavior in various mutual funds in cuddalore district

Dr. M. Devanathan, HoD and Assistant Professor, Department of Business Administration, Thiru A.Govindasamy Government Arts College, Tindivanm, India.

Abstract - Investment is a commitment of funds for future periods against a return which is adequate to induce to part with money. It is in a wide form of contexts such as investment in 'house' or investment in mutual funds or investments in securities. This separately imagines a result by putting their cash in beneficial avenues. It frames a delayed utilization. For instance, a representative who contributes a piece of his pay to purchase shares, his present utilization is abridged and the arrival on offers/protections acknowledged in future timeframes would be accessible for future utilization. The present paper finds out the investment pattern of mutual funds with reference to Tamil Nadu State of cuddalore districts. A sample of 278 respondents in Tamil Nadu State selected district - Cuddalore on the basis of convenient sampling technique. The outcomes demonstrate that there is a positive and huge relationship between's financial specialist practices of mutual funds.

Keywords- Investor, Mutual Funds, Investor Behavior, Investment

I. INTRODUCTION

Investment is the work of assets with the point of getting the arrival on it. When all is said in done, speculation implies the utilization of cash in the desire for increasing more funds. In finance, venture is the dedication of assets, which have been spared from current utilization inside this expectation that a few advantages will be gotten later on. It is a genuine trying for the Investors to choose the investment avenues, the explanations for of trying for choose the venture avenues is to decide the qualities of the different venture avenue and afterward coordinating them with the people need and inclinations.

Each Investor behavior differs from one another based on the various factors like demographic factors, socio-economic background, life style, etc., even though investor investing design in order to achieve certain objectives. These destinations might be unmistakable, for example, purchasing a vehicle, buy or build the house, and so forth., and impalpable goals, for example, societal position, security, and so forth. Likewise; these aims may be classified as economic or personal objectives. Financial objectives are protection, productivity, as well as liquidity. individual goals can be identified with private highlights of people like family duties, status, wards, instructive in addition to marriage necessities, pay, utilization and arrangement for retirement, etc., further perceive of the investors related to the elements of investments like Risk and Return relationship, Time, Liquidity, Tax savings, etc, (Srivastava Vinay K (2011)).

II. INVESTOR'S BEHAVIOR

It is the investigation of the Investors Investment basic leadership and its endeavors to clarify and comprehension of the thinking examples of Investors sane and passionate procedures includes and impacts the basic leadership the procedure., Basically, the researchers have been some hypothetical statements regarding the Investors behavior in various investment avenues, like an educated person decisions towards investment may differ from an uneducated. By the way, the young bachelor prefers to invest their money in risky avenues comparatively the family man, they always prefer the less risky and stable income avenues, not only the above reasons for the invest but also the inducing factors are, rural and urban survivors, information source, avenues accessibility, colleagues, friends and relatives in the society.

According to Tversky and Kahneman (1981) described about the Behavioral finance; It is the use of logical research on the mental, social, and passionate commitments to showcase members and market value patterns. It likewise ponders the mental and sociological variables that impact the money related basic leadership procedure of people, and gatherings. The human decisions are subject to several cognitive illusions, the Cognitive Psychology is the study of all knowledge related (mental) behaviors' i.e., Attention, Perception, Memory/ Comprehension, and Decision Making; it is assuming a significant job in the venture conduct of speculators, at that point it additionally clarifies the person's character, frames of mind, inspirations, and practices' of the individual impact and affected by social gatherings. It can

 DOI : 10.35291/2454-9150.2019.0365

be grouped into two theories i.e., Heuristics Theory and Prospect Theory.

Heuristics Theory refers to rules of thumb which investor's exercise to make decisions in comples, uncertain environments. The certainty, the investor's decision-making processes are not strictly rational one. Thought the investors have collected the relevant information and objectively evaluated, in which the mental and emotional factors are involved Saini, S., Anjum, B., & Saini, R. (2011). It is very difficult to split. Sometimes it may be good, but many times, it may result in inferior decision outcomes. It includes: Representativeness, Over Confidence, Anchoring, Gamblers Fallacy etc. Prospect Theory refers to Loss Aversion, Regret Aversion, Mental Accounting, and Self Control etc.

In this study finds to the Investors Investment Behavior in primary and popular investment possibilities. Furthermore, the study finds to the Investors decision-making behaviors' in their investment avenues. This study suggests Flinder's Decision Making Questionnaire to find the Investors decision-making behaviors'.

When arguing investor behavior it is useful to first recognize the exact thoughts as well as actions which direct to poor decision-making. Financial specialist conduct isn't simply purchasing in addition to selling at the wrong time, it is the mental snares, triggers, and misguided judgments that reason speculators to act nonsensically. That silliness prompts purchasing and selling at an inappropriate time, which prompts underperformance Kaur, I (2016). There are 9 distinct behaviors that tend to plague investors based on their personal experiences and unique personalities.

- **Loss Aversion:** Expecting to find high returns with low risk
- **Narrow Framing:** Making decisions without considering all implications
- **Mental Accounting:** Taking undue risk in one area and avoiding rational risk in another
- **Diversification:** Seeking to reduce risk, but simply using different sources
- **Herding:** Copying the behavior of others even in the face of unfavorable outcomes
- **Regret:** Treating errors of commission more seriously than errors of omission
- **Media Response:** Tendency to react to news without reasonable examination
- **Optimism:** Belief that good things happen to me and bad things happen to others
- **Anchoring:** Relating to the familiar experiences, even when inappropriate

III. INVESTMENT POSSIBILITIES

There is a large number of investment instruments are available today; an investor has invested different avenues to park their savings. The investor chooses the investment avenue that maximizes their utility. Some of them are marketable and liquid, while others are nonmarketable and some of them take high risk while others are almost less risk. The Investors have to choose the avenue depending upon their specific need, risk preference, and returns Kothari Heena, (2014). So, the study make understand the merits and demerits of different investment avenues through financial advertising, newspaper, investment journals, research review and guidance from experts and investors to select the popular and best avenues for the study.

The Investment avenues can broadly categories under the following heads like

- Bank and Post Office Possibility,
- Insurance Possibility,
- Shares Market Possibility,
- Mutual Fund Possibility,
- Bonds Possibility,
- Gold & Silver Possibility and
- Real Estate Possibility.

When it comes to investing, the volume of facts and information available can be incredibly time consuming to wade through and for many individuals it is just too confusing. Yet we need a good understanding of the financial options available to us to be able to make good investment decisions. In India, many investment avenues are available where some are marketable and liquid while others are non-marketable and some of them are highly risky while others are almost riskless Pandian, V.A. and Thangadurai, G. (2013). The investor has to choose Proper Avenue depending upon his specific need, risk preference, and returns expected. Different avenues are:

Figure1. Various avenues of investment

 DOI : 10.35291/2454-9150.2019.0365

International Journal for Research in Engineering Application & Management (IJREAM)
ISSN : 2454-9150 Vol-05, Issue-04, July 2019

IV. MUTUAL FUNDS

It is a pool of cash gathered from speculators and is contributed by certain venture alternatives. A common store is a trust that pools the sparing of an. of speculators who offer a typical budgetary objective. A shared reserve is made when financial specialists set up their cash together. It is, in this way, a pool of speculator's store. The cash in this manner gathered is then put resources into capital market instruments, for example, offers, debentures and different protections. The pay earned through these speculations and the capital thanks acknowledged is shared by its unit holders in extent to the no. of units claimed by them.

The most significant qualities of a store are that the benefactors and the recipients of the reserve are a similar class of individuals specifically the financial specialists. The term common reserve implies the financial specialists add to the pool and furthermore advantage from the pool. The pool of assets held commonly by financial specialists is the shared store. A common reserve business is to contribute the assets in this manner gathered by the desires of the financial specialists who made the pool Singh Binod K. (2012). Normally, the financial specialists designate proficient venture supervisors to make an item and offer it for speculation to the speculators. This venture speaks to an offer in the pool and pre states speculation destinations. Subsequently, a shared reserve is the most reasonable speculation for a typical man as it offers a chance to put resources into a broadened, expertly overseen container of protections at moderately ease Massa, M., and Simonov, A. (2005).

a. Mutual fund Categories

Various types of mutual funds categories are designed to allow investors to choose a scheme based on the risk they are willing to take, the investable amount, their goals, the investment term, etc.

1. **Open-Ended:** This scheme allows investors to buy or sell units at any point in time. This does not have a fixed maturity date.

   - ***Debt/ Income:*** In a debt/income scheme, major parts of the investable fund are channelized towards debentures, government securities, and other debt instruments. Although capital appreciation is low (compared to the equity mutual funds), this is a relatively low risk-low return investment avenue which is ideal for investors seeing a steady income.

   - ***Money Market/ Liquid:*** This is ideal for investors looking to utilize their surplus funds in short term instruments while awaiting better options. These schemes invest in short-term debt instruments and seek to provide reasonable returns for the investors

   - ***Equity/ Growth:*** Equities are a popular mutual fund category amongst retail investors. Although it could be a high-risk investment in the short term, investors can expect capital appreciation in the long run Vijaykumar B. (2015). If you are at your prime earning stage and looking for long-term benefits, growth schemes could be an ideal investment.

Index Scheme - Index schemes is a widely popular concept in the west. These follow a passive investment strategy where your investments replicate the movements of benchmark indices like Nifty, Sensex, etc.

Sectoral Scheme - Sectoral funds are invested in a specific sector like infrastructure, IT, pharmaceuticals, etc. or segments of the capital market like large caps, mid caps, etc. This scheme provides a relatively high risk high return opportunity within the equity space.

Tax Saving - As the name suggests, this scheme offers tax benefits to its investors. The funds are invested in equities thereby offering long-term growth opportunities. Tax saving mutual funds (called Equity Linked Savings Schemes) has a 3-year lock-in period.

- ***Balanced:*** This scheme allows investors to enjoy growth and income at regular intervals. Funds are invested in both equities and fixed income securities; the proportion is pre-determined and disclosed in the scheme related offer document. These are ideal for the cautiously aggressive investors.

1. **Closed-Ended:** In India, this type of scheme has a stipulated maturity period and investors can invest only during the initial launch period known as the NFO (New Fund Offer) period.

   - ***Capital Protection:*** The primary objective of this scheme is to safeguard the principal amount while trying to deliver reasonable returns. These invest in high-quality fixed income securities with marginal exposure to equities and mature along with the maturity period of the scheme.

   - ***Fixed Maturity Plans (FMPs):*** FMPs, as the name suggests, are mutual fund schemes with a defined maturity period.

These schemes normally comprise of debt instruments which mature in line with the maturity of the scheme, thereby earning through the interest component (also called coupons) of the securities in the portfolio. FMPs are normally passively managed, i.e. there is no active trading of debt instruments in the portfolio. The expenses which are charged to the scheme are hence, generally lower than actively managed schemes Amiri, H. (2016).

 DOI : 10.35291/2454-9150.2019.0365

1. **Interval:** Operating as a combination of open and closed ended schemes, it allows investors to trade units at pre-defined intervals.

b. Features those investors like in mutual fund:

Mutual funds are emerging as the preferred investment intermediate, since it has the lots of benefits Thomas, Basil John, (2014). The features of mutual fund investors are listed here:

S.NO	Features	Description
1	Professional Management	Mutual Funds provide the services of experienced and skilled professionals, backed by a dedicated investment research team that analyses the performance and prospects of companies and selects suitable investments to achieve the objectives of the scheme Grin blatt (2012).
2	Diversification	Mutual Funds invest in a number of companies across a broad cross-section of industries and sectors. This diversification reduces the risk because seldom do all stocks decline at the same time and in the same proportion.
3	Convenient Administration	Investing in a Mutual Fund reduces paperwork and helps to avoid many problems such as bad deliveries, delayed payments and follow up with brokers and companies.
4	Return Potential	Over a medium to long-term, Mutual Funds have the potential to provide a higher return as they invest in a diversified basket of selected securities.
5	Low Costs	Mutual Funds are a relatively less expensive way to invest compared to directly investing in the capital markets because the benefits of scale in brokerage, custodial and other fees translate into lower costs for investors.
6	Liquidity	In open-end schemes, the investor gets the money back promptly at net asset value related prices from the Mutual Fund. In closed-end schemes, the units can be sold on a stock exchange at the prevailing market price or the investor can avail of the facility of direct repurchase at NAV related prices by the Mutual Fund.
7	Transparency	Investors get regular information on the value of their investment in addition to disclosure on the specific investments made by their scheme, the proportion invested in each class of assets and the fund managers investment strategy and outlook.
8	Flexibility	Through features such as regular investment plans, regular withdrawal plans and dividend reinvestment plans, investor can systematically invest or withdraw funds according to their needs and convenience.
9	Affordability	Investors individually may lack sufficient funds to invest in high-grade stocks. A mutual fund because of its large corpus allows even a small investor to take the benefit of its investment strategy.
10	Well Regulated	All Mutual Funds are registered with SEBI and they function within the provisions of strict regulations designed to protect the interests of investors. The operations of Mutual Funds are regularly monitored by SEBI.

V. METHODOLOGY

1. Research Objectives:

The major objectives of this research paper are:

- **To investigate the investment objectives of mutual fund investors across their time horizon, risk and demographic features**
- **To identify the saving and investment avenue preferences of mutual fund investors, and their level of preferences towards mutual fund products with respect to the time horizon, risk perception, and socio-economic characteristics**
- **To ascertain the key features of mutual fund products influencing the fund selection behavior of mutual fund investors**
- **To assess the product performance satisfaction level of the investors across the different types of mutual fund products.**

2. Research Design:

Descriptive Research Design has been used, which clearly indicates that the study is all about a certain characteristic of investors towards investment. The research design consists of a number of below items such as, Sampling technique, Size of the sample, sampling unit, sampling area,

- **Sampling Technique:** Convenience sampling
- **Sampling Unit:** Individuals indulging investment in mutual funds and/or shares with different backgrounds were selected
- **Sampling Area:** Cuddalore
- **Sources of data:** The study basically depends on the primary data collected from 90 sample mutual fund investors in cuddalore through a structured questionnaire. Secondary data for this study has been collected through various books, magazines, newspapers and journals.
- **Statistical tools:** The mathematical and statistical tools will be applied for analyzing the data and establishing certain vital relationships among important variables. Statistical Package for Social Sciences (SPSS version 20) is used to analyze the data.

 DOI : 10.35291/2454-9150.2019.0365

ISSN : 2454-9150 Vol-05, Issue-04, July 2019

3. Hypotheses:

- Investors give equal importance to return, risk and liquidity attributes for investment considerations.
- There is no significant difference among investors for opting saving, availing tax benefit and wealth maximization as main purpose of investment.
- Individual investors give equal importance to income, growth and balanced fund as a type of Mutual fund scheme for investment considerations.

4. Analysis and Findings

In the investigation of primary data of cuddalore district mutual funds investors, open ended funds obtained advanced share of investments by investors that is 80% of investors had exposure of open ended mutual funds. Close ended mutual funds not attracted much investor fancy, ie 83% of investor's not selected close ended funds. Equity mutual funds are invested by most of the investors. Debt as well as balanced mutual fund obtained average investor attraction. Tax saver mutual funds or ELSS schemes, currency market mutual funds, sectoral mutual funds, Index mutual funds, ETF, Fund of fund plus capital protection funds not stimulate the attention of investors

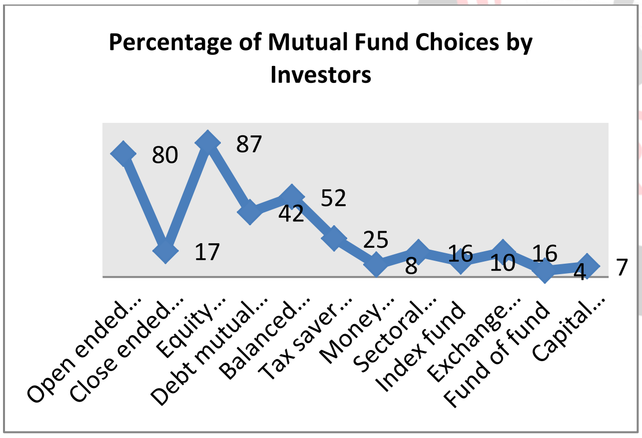

Figure 1. Mutual Fund Choices by Investors in cuddalore

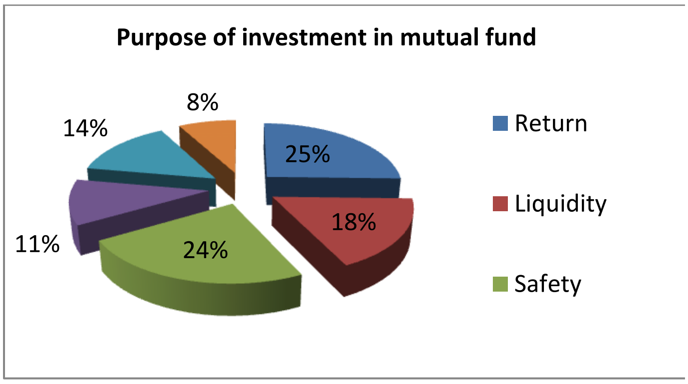

Figure2. Purpose of investment in mutual fund by Investors in cuddalore

From the above figure, It is found that greater part (87 percent) of the investors prefer equity mutual fund as compare to others mutual funds for investment concern. we can suppose that primary objective of mutual fund selection is the return offered by the system then safety, liquidity, and last will be the provision for contingencies. Investors provide equal significance to return plus security attributes for investment considerations. There is no much variation between investors for Liquidity as well as Tax Benefit.

VI. CONCLUSION

The most significant features of a mutual fund are that the providers and the recipients of the fund are the same class of people that is the investors. Mutual fund investment is measured as one of the investment avenues preferred by the investors. Long-term investors are illustrating more preferences towards mutual fund products. The investment points and investor's level of preferences towards mutual fund products differ with their time prospect of investment. It is evident that returns as well as safety of investment are the prime objectives of the investors. This paper revealed that Mutual fund is preferred investment option in comparison to equity share in cuddalore. It explains the investor's behavior in various mutual funds in cuddalore district with esteem of various parameters.

REFERENCES

[1] Srivastava Vinay K (2011). Depositors in Indian Capital Market, Advancement in Management, monthly journal, Indore, volume 4(5) May p5

[2] Vijaykumar B.(2015). Investor‟s Perception in Equity Market Investments in Indian with Special Reference to Chennai, Madras University Journal of Business and Finance, Vol.3,No.2 July ,pp66-78.

[3] Saini, S., Anjum, B., & Saini, R. (2011). Investors' awareness and perception about mutual funds. Journal of Banking Financial Services and Insurance Research, 1(1), 92-107.

[4] Singh Binod K. (2012). A study of Investors‟ Attitude towards Mutual Funds as an Investment Option, International Journal of Research in Management, Vol. 2 Issue 2 March pp61-70.

[5] Pandian, V.A. and Thangadurai, G. (2013). A Study of Investors Preference towards Variousinvestment avenues in Dehradun District, International Journal of Management and Social Science Research (IJMSSR), Vol.2 No.4,April , pp22-31

[6] Kothari Heena, (2014). Investors Behaviour towards Investment Avenues: a study with Reference to Indore city, Altius Shodh Journal of management & Commerce.vol. 1.

 DOI : 10.35291/2454-9150.2019.0365

[7] Thomas, Basil John,(2014) Mutual fund investors behaviour in Kerala, ph.d thesis submitted to Mahatma Gandhi University, Kerala

[8] Massa, M., & Simonov, A. (2005). Behavioural biases and investment. Review of Finance, 9(4), 483-507.

[9] Grin blatt, M., Keloharju, M., & Linnainmaa, J. T. (2012). IQ, trading behaviour, and performance. Journal of Financial Economics, 104(2), 339-362.

[10] Amiri, H., & Gil-Lafuente, A. M. (2016). Studying of the Factors Affecting on the Mutual Fund by Individual Investor in Iran, Malaysia, Turkey and US.Modern Applied Science, 10(9), 192.

[11] Kaur, I., & Kaushik, K. P. (2016). Determinants of investment behaviour of investors towards mutual funds. Journal of Indian Business Research, 8(1), 19-42.

[12] Tversky, A., and Kahneman, D. 1981. The framing of decisions and the psychology of choice. Science 21 1:453-58.

 DOI : 10.35291/2454-9150.2019.0365