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Study on Mutual Fund Investment Behaviour; With Reference to the Difference Among the Perception of the Different Groups

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ABSTRACT

This paper analyses the difference among the perception of different types of investors. Investors with different mind-set have a different way of investing and having the different objective of investment. Investors with different sentiment have a different investment objective. If we talk about the risk-taking ability of the investors there are three types of investors exist in the market. Investors who can take the risk are known as a risk taker. Those who cannot take enough risk are risk averter and some of the investors take calculative risk depending upon the past scenario also comes under the average category. Investors with different risk-taking ability have different objectives of mutual fund investment. Here the analysis has been done to analyse, investment behaviour and investment objectives of the different groups of investors i.e. rational, cautious and gambling attitude retail investors of eastern U.P. while making an investment in mutual fund.

1. Introduction

The concept of mutual fund emerged in India in 1963, when the Government of India launched the unit trust of India (UTI). Until 1987 UTI enjoyed a monopoly in India in the Indian mutual fund market. Mutual fund investment is an allocation of funds, done with the expectation of generating a return in the form of capital appreciation. There are various kinds of investment options in front of investors. These are Post Office Saving/National Saving Certificate, Fixed Deposits, Insurance, Bonds, Gold, Public Provident Fund, Real Estate, Commodities; Shares, etc. In mutual fund investment, there is a trust that pools the savings of various different individual investors by allocating units to them and then invests in various investment avenues available in the market such as Bonds shares and debenture etc. as per stated objectives of the schemes. While investing in mutual fund the various investment avenues offers different kinds of investment benefits as liquidity, tax benefits, diversification, professional management, transparency etc. nowadays there are various mutual fund schemes available for investors such as Equity Linked Saving Schemes (ELSS) And Exchange Traded Funds (ETF), Open-Ended, Close-Ended, Interval, Growth, Balance, Income, Etc. these investment avenues are benefiting the investors in the form of risk and return tolerance. The need and preference of different set of investors are different while making an investment decision some investors are risk taker while some are risk averter. With this in this paper, the investors are categorized into three sets of groups i.e. Rational, Cautious, Gambling attitude investors.

2. Need and significance of the study

As for as this study is concerned, this paper analysed the perception retail investors of different groups i.e. Rational, Cautious and Gambling attitude investors in eastern part of U.P. Before making an investment every investor has some investment objectives. The need and preference of different groups of investors are different. Here with the help of a statistical tool, there is an attempt to analyse either there is a difference among the perception of different groups with reference to investment behaviour and investment objectives of the investment.

3. Review of Literature

(Tobin 1958) explained the relationship between the portfolio's risk in terms of standard deviation of return and its expected return described by capital market line. Thus, the risk is a relevant decision variable in fund choice

(Grinblatt and Titman1992) studied how mutual fund performance relates to past performance. These tests are based on a multiple portfolio benchmark that was formed on the basis of securities characteristics. They find the evidence that differences in performance between funds persist over time and that his persistence is consistent with the ability of fund managers to earn abnormal returns. They concluded that there is a positive persistence in mutual fund performance. The persistence cannot be explained by inefficiencies in the benchmark that they related to firm size, dividend yield, past returns, skewness, interest rate sensitivity or CAPM beta. In this paper, they can also assert that the past performance of the fund provides useful information for investors who are considering an investment in mutual funds.

(**Jambodekar 1996)** assess the awareness of Mutual funds among investors, this study show that open-endedmutual fund schemes are most preferred than closed-ended schemes and income mutual fund schemes are favoured by investors than growth schemes in this study it has been analysed that investors objective while investing in Mutual Funds are capital appreciation, safety of principal and liquidity. An important source of appreciation through which they got information about mutual fund investment is Newspaper and magazines.

(Sharpe 1996) explains the theory of portfolio selection, the theory of pricing of capital assets under conditions of risk, and the general behaviour of stock market prices. Results obtained in all three areas are relevant for evaluating mutual fund performance. However, one paper pointing the direction for future studies of mutual fund performance has appeared. He concluded and represents an attempt to bring to bear on the measurement and prediction of mutual fund performance, some of the result of recent work in capital theory and the behaviour of stock –market prices.

(Basso and Funari 2000) present a model which can be used to evaluate the performance of the mutual fund. This model applies an operational research methodology, called Data envelopment analysis (DEA), which allows measuring the relative efficiency of decision-making units. This approach allows defining mutual fund performance indexes that can take into account several inputs and thus consider different risk measures and above all investment costs. They concluded the DEA performance indexes for mutual fund proposed two classes of DEA indexes. The first one generalizes the traditional measures(subscription and redemption costs and burden of fund investment) and the second class of indexes considers multiple inputs and multiple outputs structures (stochaic dominance and time layout etc.)

(Bergtresser and Poterba 2001) explores the relationship between the after-tax returns that taxable investors earn on equity mutual fund and subsequent cash inflows to these funds. The study reveals that the individual tax burden that investors face when they negatively correlated with fund inflows. This is consistency with the view that taxable investors consider the impact of income taxation on asset returns when they decide which mutual fund shares to purchase or redeem. A mutual fund that offers higher after-tax return attracts greater inflows than those with lowest after-tax returns.

(Keswani and Stolin 2005) studied the effect of several sector level variables on sector level performance. Their choice of variables is based on the notion the more competitive a sector is, the less likely it is to be characterized by persistence in its fund's performance. In all their result indicate that the competitiveness of a fund sector influences the persistence in the relative performance of its member.

(Renneboog et al 2008) provides a critical view of literature on socially responsible investment (SRI). Particular to SRI is that both financial goals and social objectives are pursued. Over the past decade, RI has experienced an explosive growth around the world reflecting the increasing awareness of investors to social, environmental, ethical and corporate governance issues. A number of question are reviewed in this paper on the causes and the shareholder's value impact of corporate social responsibility (CSR). They concluded that the existing studies hint but do not unequivocally demonstrate that SRI investors are willing to accept suboptimal financial performance to pursue and ethical objectives.

(Charness and Gneezy 2011) studied the strong evidence for gender differences in risk taking and also, Are men willing to take the financial risk than women ?.. And they concluded that women make smaller investments in the risky asset than do men, and so appear to be financially more risk-averse.

(Chang HSU et al 2012) The study investigates the performance of 30 Taiwan open-ended equity mutual fund and the sample period was divided into sub-periods , the bull market period(Nov 2006 to Oct 2007) and the bear market (Nov 2007 to Oct 2008) and the analysis of the performance evaluation used six indicators to track the equity mutual fund with positive (negative) performance in the bull(bear) market. Moreover, most of the mutual fund performance ranking is inconsistency for both bull and bear market period.

4. Research Methodology

4.1 Research objectives and hypothesis

Research objective 1: Research Objective-: To find out the significant difference among the perception of the respondents of different groups (gambling attitude, rational attitude & cautious attitude) for their investment objective.

Alternate Hypothesis (H1): There is a difference among the perception of the respondents of different groups (gambling attitude, rational attitude & cautious attitude) for their investment objective.

Null Hypothesis (H0): There is no difference among the perception of the respondents of different groups (gambling attitude, rational attitude & cautious attitude) for their investment objective.

Research Objective 2: Research Objective: To find out the significant difference among the perception of the respondents of different groups (gambling attitude, rational attitude & cautious attitude) for their investment behaviour.

Alternate Hypothesis (H1): There is a difference among the perception of the respondents of different groups (gambling attitude, rational attitude & cautious attitude) for their investment behaviour.

Null Hypothesis (H0): There is no difference among the perception of the respondents of different groups (gambling attitude, rational attitude & cautious attitude) for their investment behaviour.

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4.2 Primary data sources

Consists of all the data collected study that directly related to the study purpose, both personally gathered as well as data froma third party thathasbeencollectedwith an equivalent purpose.

Throughout the Pilot study, the researcher used primary data sources. The primary data was collected through an empirical study. The empirical study was made by administering a questionnaire/schedules to collect the data regarding the following dimensions-

- Investment behaviour of retail investors
- Factors affecting the selection of mutual fund

- Mutual fund investment decision by different categories of investors

4.3 Questionnaire Development

A well-structured questionnaire was developed after an extensive review of the literature and the exploratory investigations. As this research study is for retail investors, a final questionnaire was developed to conduct the pilot study on the respondents.

Respondents were asked to indicate their attitudinal response on several statements on Performance of mutual fund, Investment behaviour of retail investors, Impact of mutual fund performance on the investors' decision & Factors affecting the selection of mutual fund ona LIKERT scale based questions. There are five choices namely**, Strongly Disagree (1), Disagree (2), Undecided (neither agree nor disagree) (3), Agree (4), and Strongly Agree** Population **and Sampling**

The definition of the population for the proposed research has also been done. As per the topic of the study- **'Study On Mutual Fund Investment Behaviour; With Reference To Difference Among The Perception Of The Respondents Of Different Groups.'** for the study in question retail investors in eastern, U.P., India has been taken as the realistic/accessible population.

In this research, we have to select the population on the basis of their basic investment behaviour in mutual funds in eastern, U.P., India. The target population is that population to which we would like to draw inferences, comprises of **500** retail investors in eastern, U.P., **This is the population actually surveyed.**

The unit of analysis was a **retail investor** of mutual fund in eastern, U.P., India, it **was selected as an observation unit**. The choice of retail investors as the observation unit relied upon the assumption that retail investors of in eastern, U.P., India represent the sentiments of all the retail investors of mutual fund in India. The entire survey population was of **500** respondents; they were sampled and surveyed.

Respondents were chosen using ***Convenient Sampling Technique.***

4.4 Data Collection

Data collection in surveys generally is based on questionnaires. There mainly are two ways to collect questionnaire data: via self-administered questionnaires (i.e. email), or via personal interviews.

The questionnaires in this study were basically distributed among the respondents manually and through email. This was considered the most suitable option due to the wide geographical distribution of samples in the entire eastern, U.P., India.

Survey Duration

The surveywas handedout directly to respondents, fromthe start ofApril 2018 up till the end of July 2018.

5. Data analysis and interpretation

5.1 ANOVA: Investment Objective: Difference among the Perception of the respondents of different Groups (Gambling Attitude, Rational Attitude & Cautious Attitude) Descriptive Statistics of the Variables:

From the following table of descriptive statistics, the mean and standard deviation of all the variables involved in the studying Investment Objectivecan be seen. All the 8 variables were considered for this analysis for respondents of different Groups (Gambling Attitude, Rational Attitude & Cautious Attitude).

Table-: Descriptive Statistics

Descriptive									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Tax benefit.	Gambling Attitude	30	5.00	.000	.000	5.00	5.00	5	5
	Rational Attitude	365	4.20	.564	.030	4.14	4.26	3	5
	Cautious Attitude	105	4.28	.449	.044	4.19	4.36	4	5
	Total	500	4.26	.557	.025	4.21	4.31	3	5
Returns	Gambling Attitude	30	2.93	1.574	.287	2.35	3.52	1	5
	Rational Attitude	365	3.33	1.113	.058	3.22	3.45	1	5
	Cautious Attitude	105	2.80	1.319	.129	2.54	3.06	1	5
	Total	500	3.20	1.209	.054	3.09	3.30	1	5
Professional management	Gambling Attitude	30	4.50	.509	.093	4.31	4.69	4	5
	Rational Attitude	365	3.27	1.195	.063	3.15	3.39	1	5
	Cautious Attitude	105	1.96	1.351	.132	1.70	2.22	1	5
	Total	500	3.07	1.359	.061	2.95	3.19	1	5
Diversification	Gambling Attitude	30	3.17	1.315	.240	2.68	3.66	1	5

	Rational Attitude	365	3.61	1.277	.067	3.47	3.74	1	5
	Cautious Attitude	105	3.99	.925	.090	3.81	4.17	1	5
	Total	500	3.66	1.228	.055	3.55	3.77	1	5
Convenience.	Gambling Attitude	30	4.53	.571	.104	4.32	4.75	3	5
	Rational Attitude	365	3.84	.845	.044	3.76	3.93	1	5
	Cautious Attitude	105	3.58	.998	.097	3.39	3.77	1	5
	Total	500	3.83	.889	.040	3.75	3.91	1	5
Transparency	Gambling Attitude	30	1.70	.877	.160	1.37	2.03	1	3
	Rational Attitude	365	2.27	.570	.030	2.21	2.33	1	4
	Cautious Attitude	105	2.09	.521	.051	1.98	2.19	1	3
	Total	500	2.20	.600	.027	2.15	2.25	1	4
Flexibility	Gambling Attitude	30	1.83	.699	.128	1.57	2.09	1	3
	Rational Attitude	365	2.81	1.177	.062	2.69	2.93	1	5
	Cautious Attitude	105	2.53	1.201	.117	2.30	2.77	1	5
	Total	500	2.69	1.183	.053	2.59	2.80	1	5
Choice of Scheme.	Gambling Attitude	30	2.97	1.189	.217	2.52	3.41	1	5
	Rational Attitude	365	3.58	1.004	.053	3.47	3.68	1	5
	Cautious Attitude	105	3.60	1.015	.099	3.40	3.80	1	5
	Total	500	3.55	1.027	.046	3.46	3.64	1	5

Table-ANOVA

ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Tax benefit.	Between Groups	17.890	2	8.945	32.501	.000
	Within Groups	136.788	497	.275		
	Total	154.678	499			
Returns	Between Groups	25.509	2	12.755	9.006	.000
	Within Groups	703.889	497	1.416		
	Total	729.398	499			
Professional management	Between Groups	204.653	2	102.326	70.926	.000
	Within Groups	717.035	497	1.443		
	Total	921.688	499			
Diversification	Between Groups	19.854	2	9.927	6.737	.001
	Within Groups	732.346	497	1.474		
	Total	752.200	499			
Convenience.	Between Groups	21.423	2	10.711	14.267	.000
	Within Groups	373.127	497	.751		
	Total	394.550	499			
Transparency	Between Groups	10.721	2	5.361	15.795	.000
	Within Groups	168.677	497	.339		
	Total	179.398	499			
Flexibility	Between Groups	29.693	2	14.846	11.031	.000
	Within Groups	668.875	497	1.346		
	Total	698.568	499			
Choice of Scheme.	Between Groups	10.751	2	5.375	5.186	.006
	Within Groups	515.191	497	1.037		
	Total	525.942	499			

Descriptive Statistics of the Variables:

5.2 ANOVA: Investment Objective: Difference among the Perception of the respondents of different Groups

(Gambling Attitude, Rational Attitude & Cautious Attitude) Descriptive Statistics of the Variables:

From the following table of descriptive statistics, the mean and standard deviation of all the variables involved in the studying Investment Behaviour can be seen.

Table-: Descriptive Statistics

Descriptives									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
They give assured and consistent return	Gambling Attitude	30	1.43	.626	.114	1.20	1.67	1	3
	Rational Attitude	365	1.67	.471	.025	1.62	1.72	1	2
	Cautious Attitude	105	1.73	.444	.043	1.65	1.82	1	2
	Total	500	1.67	.480	.021	1.63	1.71	1	3
They provide high return with low risk	Gambling Attitude	30	1.97	.414	.076	1.81	2.12	1	3
	Rational Attitude	365	1.72	.452	.024	1.67	1.76	1	2
	Cautious Attitude	105	1.50	.502	.049	1.40	1.59	1	2
	Total	500	1.68	.474	.021	1.64	1.73	1	3
Very simple to invest and monitor fund performance on a regular basis	Gambling Attitude	30	3.43	1.305	.238	2.95	3.92	2	5
	Rational Attitude	365	2.98	1.396	.073	2.83	3.12	1	5
	Cautious Attitude	105	2.07	1.203	.117	1.83	2.30	1	5
	Total	500	2.81	1.408	.063	2.69	2.94	1	5
Mutual fund provide the benefit of cheap access to expensive stocks	Gambling Attitude	30	4.37	.718	.131	4.10	4.63	3	5
	Rational Attitude	365	3.34	1.224	.064	3.21	3.46	1	5
	Cautious Attitude	105	3.55	1.074	.105	3.34	3.76	1	5
	Total	500	3.44	1.194	.053	3.34	3.55	1	5
It is good investment instrument.	Gambling Attitude	30	5.00	.000	.000	5.00	5.00	5	5
	Rational Attitude	365	2.94	.838	.044	2.86	3.03	1	4
	Cautious Attitude	105	2.13	.651	.064	2.01	2.26	1	4
	Total	500	2.90	.996	.045	2.81	2.98	1	5
It is better to invest in a mutual fund rather than investing directly in shares.	Gambling Attitude	30	4.13	1.167	.213	3.70	4.57	2	5
	Rational Attitude	365	3.07	1.320	.069	2.93	3.20	1	5
	Cautious Attitude	105	3.85	1.017	.099	3.65	4.04	1	5
	Total	500	3.29	1.308	.058	3.18	3.41	1	5
Less calculation is required before investing when compared to share market.	Gambling Attitude	30	5.00	.000	.000	5.00	5.00	5	5
	Rational Attitude	365	4.25	.680	.036	4.18	4.32	3	5
	Cautious Attitude	105	3.93	.505	.049	3.84	4.03	3	5
	Total	500	4.23	.667	.030	4.17	4.29	3	5
Mutual funds diversify the risk of the investor by investing in a basket of assets.	Gambling Attitude	30	4.47	.730	.133	4.19	4.74	3	5
	Rational Attitude	365	3.23	1.054	.055	3.12	3.34	1	5
	Cautious Attitude	105	4.08	.703	.069	3.94	4.21	3	5
	Total	500	3.48	1.060	.047	3.39	3.57	1	5
Professional fund managers manage them with in-depth research inputs from investment analysis.	Gambling Attitude	30	5.00	.000	.000	5.00	5.00	5	5
	Rational Attitude	365	4.12	.677	.035	4.05	4.19	3	5
	Cautious Attitude	105	3.83	.627	.061	3.71	3.95	3	5
	Total	500	4.11	.693	.031	4.05	4.17	3	5

Table-ANOVA

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
They give assured and consistent return	Between Groups	2.100	2	1.050	4.628	.010

	Within Groups	112.788	497	.227		
	Total	114.888	499			
They provide high return with low risk	Between Groups	6.491	2	3.245	15.276	.000
	Within Groups	105.581	497	.212		
	Total	112.072	499			
Very simple to invest and monitor fund performance on a regular basis	Between Groups	79.977	2	39.989	21.847	.000
	Within Groups	909.725	497	1.830		
	Total	989.702	499			
Mutual fund provide the benefit of cheap access to expensive stocks	Between Groups	30.953	2	15.476	11.303	.000
	Within Groups	680.479	497	1.369		
	Total	711.432	499			
It is good investment instrument.	Between Groups	194.667	2	97.333	161.289	.000
	Within Groups	299.925	497	.603		
	Total	494.592	499			
It is better to invest in a mutual fund rather than investing directly in shares.	Between Groups	72.332	2	36.166	23.001	.000
	Within Groups	781.450	497	1.572		
	Total	853.782	499			
Less calculation is required before investing when compared to share market.	Between Groups	27.162	2	13.581	34.642	.000
	Within Groups	194.846	497	.392		
	Total	222.008	499			
Mutual funds diversify the risk of the investor by investing in a basket of assets.	Between Groups	89.817	2	44.908	47.389	.000
	Within Groups	470.983	497	.948		
	Total	560.800	499			
Professional fund managers manage them with in-depth research inputs from investment analysis.	Between Groups	32.118	2	16.059	38.444	.000
	Within Groups	207.610	497	.418		
	Total	239.728	499			

6. Interpretation and findings

6.1 It can be concluded that there is a significant difference between groups **(**Gambling Attitude, Rational Attitude & Cautious Attitude**)** for all the variables of Investment Objective as the value of significance comes out to be less than 0.05.

From the above analysis, it can be said that the Alternate Hypothesis is accepted and the Null Hypothesis is rejected, hence, it can also be concluded that Research Objective-1 is fulfilled.

6.2 It can be concluded that there is a significant difference between groups **(**Gambling Attitude, Rational Attitude & Cautious Attitude**)** for all the variables of Investment Behaviour as the value of significance comes out to be less than 0.05.

From the above analysis, it can be said that the Alternate Hypothesis is accepted and the Null Hypothesis is rejected. Hence the research objective-2 is fulfilled.

7. Conclusion and suggestion

We can conclude that the perception of the investors of different categories (Gambling, Cautious and Rational) is different while making an investment decision when talked about the choice of investment objectives and factors of investment behaviour. All the investment objective will have a different parameter for a different kind of investor. We can conclude that any objective which is selected by a respondent with a cautious attitude may be rejected by a respondent with rational and gambling attitude investor. Hence again we can say that every investor having a different investment objective because every investor has a different attitude (gambling, rational, cautious) having the different risk-taking capacity and also having the different choice of investment objective.

To summarise up conclusion it can be said that investors' behaviour while investing in a mutual fund will depend upon their attitude and investors having the different attitude will have different objective and having the different reasons while making a future investment decision.

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