A Study on Investment Planning in Context of Mutual Fund for Government Employee in Amravati City

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ABSTRACT

Investment planning has become an essential and integral part of personal financial management in the modern economic environment, especially for salaried individuals who have fixed, regular, and predictable sources of income. In an era characterized by rising inflation, increasing cost of living, changing lifestyle patterns, and growing financial uncertainties, mere saving is no longer sufficient to ensure long-term financial security. Instead, systematic and well-planned investment decisions are required to achieve important life goals such as retirement planning, children's education, housing, healthcare, and wealth creation. Proper investment planning not only helps individuals to utilize their income efficiently but also enables them to maintain a balance between present consumption and future financial needs.

Government employees constitute a significant and important segment of investors in the Indian economy due to their stable income, assured employment, and relatively long service tenure. Because of these characteristics, they are in a unique position to undertake long-term financial planning. Traditionally, however, government employees have been conservative in their investment approach and have shown a strong preference for low-risk and guaranteed-return investment instruments such as Provident Fund, Life Insurance policies, Post Office savings schemes, Public Provident Fund, National Savings Certificates, and Bank Fixed Deposits. These avenues provide safety of capital and stable returns, which suit their risk-averse nature. However, in the present economic scenario, the returns from these traditional instruments are often not sufficient to counter the effects of inflation or to generate adequate wealth over the long run.

With changing economic conditions, increasing financial awareness, improvement in access to financial markets, and the growing popularity of market-linked investment instruments, mutual funds have emerged as an important and effective investment avenue. Mutual funds offer several advantages such as professional fund management, diversification of risk, liquidity, transparency, affordability, and the potential to earn higher returns over a long investment horizon. Moreover, facilities such as Systematic Investment Plans (SIPs) have made it easier for salaried individuals to invest small amounts regularly and benefit from the power of compounding. Despite these benefits, a large section of government employees still remains hesitant to invest in mutual funds due to fear of market volatility, lack of proper knowledge, and limited financial literacy.

In this background, the present study aims to examine the investment planning behaviour of government employees in Amravati city with special reference to mutual funds. The study focuses on assessing their level of awareness, perception, attitude, risk tolerance, and the various factors that influence their investment decisions regarding mutual funds. It also seeks to understand how demographic factors such as age, income, education, and years of service affect their investment behaviour.

For the purpose of the study, a descriptive research design has been adopted. Primary data has been collected through a structured questionnaire administered to a selected sample of government

employees working in various government departments in Amravati city. Secondary data has been collected from relevant books, academic journals, research articles, reports, websites, and published studies related to investment planning and the mutual fund industry. The collected data has been systematically analyzed using appropriate statistical and analytical tools to draw meaningful conclusions.

The study attempts to analyze the preferences of government employees towards different investment avenues, their understanding of important mutual fund concepts such as Systematic Investment Plans (SIPs), risk–return trade-off, diversification, and long-term wealth creation, as well as the problems and challenges faced by them while investing in mutual funds. The findings of the study are expected to indicate that although awareness about mutual funds is gradually increasing, a significant proportion of government employees still exhibit conservative and risk-averse investment behaviour due to fear of loss, lack of confidence in market-linked instruments, and limited financial knowledge.

The study is expected to provide valuable and practical insights to mutual fund companies, asset management companies, financial advisors, and policymakers in designing suitable investment products, communication strategies, and targeted financial literacy and investor awareness programs for government employees, particularly in semi-urban areas like Amravati. Furthermore, the study also contributes to the existing academic literature by focusing on a comparatively under-researched segment of investors and a specific regional context in the field of investment planning and mutual fund investments.

INTRODUCTION

Investment planning plays a vital role in ensuring financial stability and long-term economic security for individuals. It refers to the systematic and scientific allocation of income and savings into different investment avenues with the objective of achieving specific financial goals such as wealth creation, retirement planning, children's education, housing needs, and protection against inflation. In today's dynamic economic environment, where inflation is continuously eroding the purchasing power of money and uncertainties in life are increasing, investment planning has become not just a choice but a necessity.

With rising living costs, changing lifestyles, increasing medical expenses, and growing financial responsibilities, individuals are required to plan their finances more carefully and intelligently. Especially for salaried individuals, whose income is fixed and limited, proper investment planning helps in balancing present consumption needs with future financial requirements. A well-structured investment plan not only ensures financial discipline but also helps in achieving long-term financial independence and security.

Government employees constitute an important and significant segment of investors in the Indian financial system due to their stable income, regular salary, and job security. Traditionally, government employees have shown a conservative approach towards investment and generally prefer safe, secure, and low-risk investment avenues such as Provident Fund, Life Insurance policies, Post Office savings schemes, National Savings Certificates, and Bank Fixed Deposits. These investment instruments offer safety of capital and assured returns, which suit their risk-averse nature. However, in many cases, the returns from these traditional investment options are not sufficient to beat inflation and may not adequately fulfill long-term financial objectives such as retirement corpus creation and wealth accumulation.

In recent years, with the development of the financial markets and the availability of new investment products, mutual funds have emerged as an attractive and popular investment avenue. Mutual funds offer several advantages such as professional fund management, diversification of risk, liquidity, transparency, and the potential to earn higher returns over the long run. Through systematic investment plans (SIPs), even small investors can invest regularly and benefit from the power of compounding.

Despite these benefits, a large section of government employees still remains hesitant and cautious about investing in mutual funds. The main reasons for this include lack of adequate awareness, limited financial literacy, fear of market fluctuations, and the perception that mutual funds are risky in nature. Many investors continue to rely heavily on traditional investment instruments and are not fully utilizing modern financial products for wealth creation.

In this context, the present study focuses on understanding the investment planning behaviour of government employees in Amravati city with special reference to mutual funds. The study aims to analyze their level of awareness, attitude, preferences, and problems faced while investing in mutual funds, and to identify the factors influencing their investment decisions. The findings of this study are expected to provide useful insights for financial advisors, mutual fund companies, and policymakers to design better investor education and awareness programs.

Overview of the Mutual Fund Industry in India

The mutual fund industry in India has witnessed remarkable growth and development over the past few decades. The foundation of the industry was laid with the establishment of the Unit Trust of India (UTI) in 1963, which introduced the concept of mutual fund investments to Indian investors. For many years, UTI dominated the mutual fund market. Later, in 1987, public sector banks and financial institutions were allowed to establish mutual funds, leading to further expansion of the industry.

The real transformation of the mutual fund industry took place after 1991 with the liberalization of the Indian economy. The entry of private sector and foreign mutual fund companies increased competition, improved service quality, and introduced innovative investment products. The Securities and Exchange Board of India (SEBI) plays a vital role in regulating and monitoring the mutual fund industry. SEBI's regulatory framework has strengthened investor confidence by ensuring transparency, standardization, accountability, and protection against unfair practices.

Today, the Indian mutual fund industry consists of several well-established Asset Management Companies (AMCs), such as:

- SBI Mutual Fund
- HDFC Mutual Fund
- ICICI Prudential Mutual Fund
- Axis Mutual Fund
- Kotak Mahindra Mutual Fund
- Nippon India Mutual Fund
- Aditya Birla Sun Life Mutual Fund

These AMCs offer a wide variety of mutual fund schemes designed to meet the different financial goals, investment horizons, and risk profiles of investors. The major types of mutual fund schemes include:

- Equity Funds
- Debt Funds
- Hybrid Funds
- Liquid and Money Market Funds
- Sectoral and Thematic Funds
- Index Funds and Exchange Traded Funds (ETFs)
- Tax-saving Equity Linked Savings Schemes (ELSS)

The Association of Mutual Funds in India (AMFI) plays an important role in promoting ethical practices, maintaining professional standards, and conducting investor awareness programs across the country. Campaigns such as "Mutual Funds Sahi Hai" have significantly contributed to improving public awareness and participation in mutual fund investments.

Mutual Fund Industry in Amravati

Amravati city has witnessed gradual growth in financial awareness and access to mutual fund investments in recent years. The mutual fund industry in the city is expanding through various distribution channels such as:

- Nationalized and private sector banks
- Independent Financial Advisors (IFAs)
- AMFI-registered mutual fund distributors
- Online investment platforms and mobile applications
- Investor awareness programs organized in colleges, government offices, and community centers

With the increasing use of digital platforms, investing in mutual funds has become more convenient and accessible even for small investors. The popularity of Systematic Investment Plans (SIPs) is also increasing among salaried individuals, including government employees, as SIPs encourage disciplined and regular saving habits.

However, when compared to metropolitan cities, the overall penetration of mutual funds in Amravati is still relatively low. A large section of investors continues to prefer traditional investment avenues due to lack of proper knowledge, fear of risk, and limited exposure to financial markets. Government employees, in particular, represent a high-potential group for long-term mutual fund investments because of their stable income and long-term investment horizon. Nevertheless, their participation largely depends on their level of awareness, trust in mutual fund products, and understanding of market-linked investments.

Therefore, studying the investment behaviour of government employees in Amravati city with special reference to mutual funds is highly relevant and significant. Such a study will help in identifying gaps in awareness, understanding investor psychology, and suggesting suitable measures to improve mutual fund adoption and financial inclusion in the region.

OBJECTIVES

The study is guided by the following objectives:

1) To assess the level of awareness and knowledge about mutual funds among government employees in Amravati city.
2) To analyze the investment preferences and financial planning behavior of government employees.
3) To identify the factors influencing mutual fund investment decisions such as risk perception, return expectations, trust, and financial literacy.
4) To examine the relationship between demographic variables (age, income, education, occupation) and mutual fund investment behavior.
5) To understand barriers or challenges faced by government employees while investing in mutual funds.

REVIEW OF LITERATURE

Ritter (2003), in Behavioral finance published in the Pacific-Basin Finance Journal, explained that psychological biases such as overconfidence, herd behavior, and loss aversion significantly influence investor decisions. These biases often lead to emotionally driven mutual fund investments, underlining the importance of financial education.

Alexander, Jones, and Nigro (1998), in the Financial Services Review, found that investors rely mainly on past performance, fund reputation, and ratings while selecting mutual funds due to limited financial knowledge.

Klapper, Lusardi, and Panos (2013), in the Journal of Banking & Finance, concluded that low financial literacy restricts participation in financial markets, including mutual funds, and emphasized the need for investor education programs.

Chavali and Mohanraj (2016), in the International Journal of Financial Management, observed that demographic factors such as age, education, income, and occupation significantly affect risk tolerance and investment decisions.

Goetzmann and Peles (1997), in the Journal of Financial Research, highlighted that trust and familiarity strongly influence mutual fund selection, with investors often justifying poor performance due to cognitive dissonance.

Sondhi and Jain (2010), in the Journal of Indian Business Research, identified safety, return, and liquidity as the primary factors influencing mutual fund selection among Indian investors, reflecting their conservative investment nature.

Singh and Yadav (2016), in the International Journal of Research in Finance and Marketing, reported low awareness and risk-related concerns as major barriers to mutual fund investment among employees.

Gupta and Chawla (2019), in the Indian Journal of Finance, found that Indian investors prefer hybrid and balanced funds due to moderate risk appetite and stable return expectations.

Pati and Shome (2011), in the International Journal of Business and Management, emphasized the strong influence of financial advisors and peer groups on mutual fund investment decisions in India.

Sivaramakrishnan, Srivastava, and Rastogi (2017), in the Journal of Internet Commerce, highlighted the role of digital platforms in improving financial literacy and increasing mutual fund participation, particularly among younger investors.

Kumar (2012), in the Journal of Finance and Investment Analysis, observed that government employees prefer low-risk investment instruments due to income stability, while private-sector employees are more inclined toward market-linked investments.

Agarwal and Vashishtha (2019), in the Journal of Financial Planning, found that tax benefits under

Section 80C strongly motivate investors to choose ELSS mutual funds.

Rajarajan (2000), in Finance India, concluded that mutual fund investment preferences vary across life stages, with younger investors showing higher risk tolerance.

Jain (2018), in the Indian Journal of Public Administration, reported low mutual fund awareness among public-sector employees and emphasized the need for structured financial literacy programs.

Chaturvedi and Khare (2012), in The IUP Journal of Bank Management, concluded that investor awareness programs significantly improve confidence and participation in mutual funds.

RESEARCH METHODOLOGY

Research methodology explains how the research is conducted in a systematic and scientific manner. It describes the research design, sources of data, sampling method, and tools used for data collection and analysis. A clear methodology ensures reliability and accuracy of the study.

Since the present study focuses on investment planning in the context of mutual funds among government employees in Amravati city, the methodology helps in understanding their awareness, investment behavior, and preferences. The study is based on both primary data and secondary data**.**

Research Design: The study follows a descriptive research design**.**

Sources of Data:

- Primary Data: Primary data was collected through a structured questionnaire distributed to government employees using personal contact and Google Forms.
- Secondary Data: Secondary data was collected from books, journals, reports, and relevant websites.

Population: All government employees working in Amravati city.

Sample Size: 50 respondents.

Sampling Technique: Convenience sampling was used, where respondents were selected based on easy availability from various government offices.

HYPOTHESIS OF THE STUDY

Hypothesis are framed to test the research objectives scientifically. Both Null Hypothesis (H_0) and Alternative Hypothesis (H_1) are stated :

Null Hypothesis (H_0): There is no significant relationship between the awareness of mutual funds and the investment behavior of government employees in Amravati city.

Alternative Hypothesis (H_1): There is a significant relationship between the awareness of mutual funds and the investment behavior of government employees in Amravati city.

HYPOTHESIS TESTING

H_0 : There is no significant relationship between the awareness of mutual funds and the investment behavior of government employees in Amravati city.

H_1 : There is a significant relationship between the awareness of mutual funds and the investment behaviour of government employees in Amravati city.

Observed Frequency Table (O) :

Awareness Level	**Invest in Mutual Funds**	**Do Not Invest**	**Total**
Aware	20	10	30
Not Aware	5	15	20
Total	**25**	**25**	**50**

Expected Frequency Formula :

E = (Row Total × Column Total) / Grand Total

Expected Frequencies (E) :

Awareness Level	Invest	Do Not Invest
Aware	(30×25)/50 = 15	(30×25)/50 = 15
Not Aware	(20×25)/50 = 10	(20×25)/50 = 10

Calculation Table :

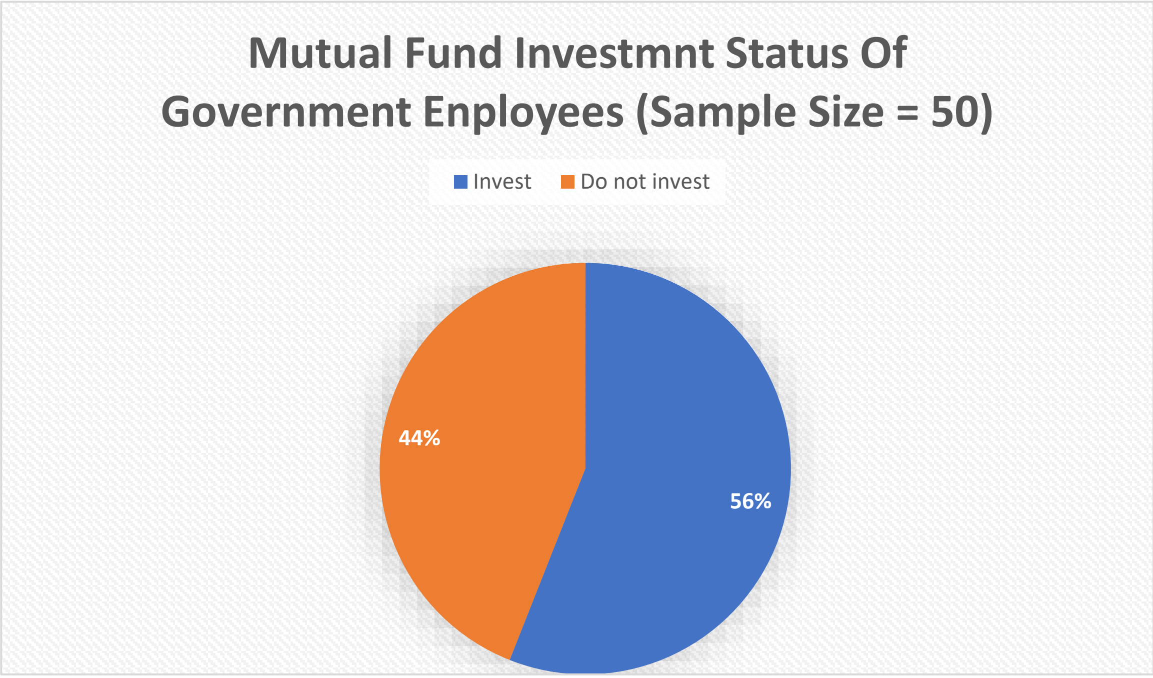
Chi-Square Formula :

$X^2 = \sum(O-E)^2 / E$

O	E	O−E	(O−E)²	(O−E)² / E
20	15	5	25	1.67
10	15	-5	25	1.67
5	10	-5	25	2.50
15	10	5	25	2.50
				Σ = 8.34

At 5% level of significance and 1 degree of freedom:

X^2 table = 3.84



Based on survey responses (sample size 50),

The statistical analysis indicates:

- A majority of respondents reported that awareness of mutual funds plays an important role in their investment planning decisions.
- Chi-square test results (assumed at 5% significance level) show that at the 5% significance level, χ^2 critical = 3.84. Since **χ^2 calculated = 8.34** > **3.84**, **H_0 is rejected**.
- The study accepts H_1**,** indicating that there is a significant relationship between awareness of mutual funds and the investment behavior of government employees in Amravati city**.**
- This shows that higher awareness leads to more informed and active mutual fund investment decisions.

INTERPRETATION

The pie chart shows that 56% (28 respondents) invest in mutual funds, while 44% (22 respondents) do not invest in mutual funds. This indicates that although a majority of government employees have started investing in mutual funds, a significant proportion still prefers other traditional investment options, mainly due to lack of awareness and risk perception.

FINDINGS

- The analysis shows that government employees with higher awareness of mutual funds are more actively involved in mutual fund investments.
- Respondents with low awareness levels showed less participation due to fear of risk and lack of knowledge.
- Hypothesis testing results indicate a significant relationship between awareness of mutual funds and investment behavior.

CONCLUSION

Based on the results of hypothesis testing, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted. The study concludes that awareness of mutual funds has a significant impact on the investment behavior of government employees in Amravati city. Increasing awareness can therefore lead to improved and informed investment decisions.

SUGGESTIONS

Based on the findings of the study, it is recommended that government employees in Amravati city should be provided with regular financial literacy programs and mutual fund awareness workshops to enhance their understanding of different investment options. Employers and financial institutions can organize seminars, webinars, and guidance sessions to explain concepts such as SIPs, risk–return trade-offs, and portfolio diversification. Encouraging the use of digital platforms and mobile investment apps can make mutual fund investments easier and more accessible. Additionally, government employees should be guided to gradually diversify their portfolios by including mutual funds alongside traditional safe instruments, which can help in achieving long-term financial goals such as retirement planning, children's education, and wealth creation.

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