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MUTUAL FUNDS AND INVESTORS BEHAVIOUR

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ABSTRACT

Mutual funds have been widely acknowledged as a popular investment tool for individuals who are looking to increase their wealth and accomplish their financial objectives for a considerable amount of time. Over the past few years, the study of mutual funds and investor behavior has garnered a substantial amount of attention due to the fact that it is a complex and ever-changing topic. It is essential for both financial professionals and regular investors to have a solid understanding of the complexities of mutual funds and the factors that influence investor behavior. A intriguing connection between mutual funds and investor behavior is going to be investigated, and this preface will lay the context for that investigation. The purpose of this section is to provide a complete overview of the topic, focusing on the most important ideas and topics that will be discussed in later chapters. By delving into the world of mutual funds, we are able to learn about the many investing techniques that are utilized by fund managers, the risks and rewards that are associated with the various types of funds, and the influence that market conditions have on the performance of funds.

An investigation into the actions taken by investors in relation to mutual funds is also of equal importance. The judgments, biases, and emotions of investors are critically important factors that contribute to the formation of the dynamics of the mutual fund sector. Exploring the psychological aspects of investing can offer light on the reasons why specific investment choices are made, the role that information processing plays, and the influence that market movements have on investor emotion. We hope that by the end of this investigation, readers will have a full grasp of mutual funds and investor behavior, which will enable them to make educated decisions on their investments and confidently traverse the complex world of finance.

Keywords: Mutual Funds, Investor Behaviour, Investment Psychology, Portfolio Management, Risk Tolerance, Asset Allocation, Market Sentiment, Behavioural Finance, Fund Performance, Market Volatility.

INTRODUCATION

The primary objective is to gain an understanding of the Mutual Fund Industry as well as the behavior of Indian Investors with regard to the various investing tools.

Because of this research, I will have a better platform to study the history of mutual funds, as well as their growth and the many other facets of how they operate. In addition to this, it will assist me in comprehending the manner in which Indian investors behave with regard to the various investing tools.

SEBI is the most senior regulating body for the financial markets. With the passage of the SEBI (mutual fund) Regulations, 1996, the Securities and Exchange Board of India (SEBI) has established the parameters for the regulation of mutual funds in India. Every single mutual fund is required to be registered with SEBI as a mandatory requirement. Under the regulations of the Securities and Exchange Board of India (SEBI), the structure and formation of mutual funds, the nomination of key functionaries, the operation of mutual funds, accounting and disclosure norms, the rights and obligations of functionaries and investors, investment limitations, compliance, and fines are all defined. The Securities and Exchange Board of India (SEBI) requires mutual funds to submit compliance reports every six months and be transparent about their business practices.

For the most part, when people talk about investment plans, they are referring to the services that funds give to investors, which include a variety of different ways to invest or invest. When it comes to making selections about investments, the various investment plans are significant factors to take into consideration because they affect the degree of flexibility that is accessible to prospective investors. Alternate investment plans that are provided by the fund give the investor the ability to invest at a single moment or at regular intervals, to transfer their money to different schemes that are part of the same fund family, to receive income at predetermined intervals, or to accumulate their wealth.

There is a pool of money that is gathered from investors and then invested according to specified investment possibilities. This pool of money is known as a mutual fund. Investing in a mutual fund is similar to investing in a trust because it pools the savings of multiple investors who have the same financial objective. A mutual fund is formed when investors pool their resources and invest in a mutual fund. As a result, it is a collection of the funds used by the investors. After the money has been collected in this manner, it is subsequently invested in various instruments of the capital market, including shares, debentures, and other securities. Both the income that is generated by these investments and the capital appreciations that are obtained are distributed among the unit holders of the company in a manner that is proportional to the number of units that they possess.

There are a number of significant qualities of a fund, the most important of which is that the people who contribute to the fund and the people who benefit from the fund belong to the same group-the investors. The phrase "mutual fund" refers to a pool of investments in which investors not only contribute to the pool but also benefit from it. The money are not being claimed by any other individuals. The term "mutual fund" refers to the pool of the funds that are held jointly by investors.
The purpose of a mutual funds business is to invest the money that has been gathered in accordance with the preferences of the investors who initially established the pool. The majority of the time, investors will hire professional investment managers to oversee the oversight of their funds. When professional investment managers build a product and offer it to investors as an investment opportunity, they accomplish the same goal as before. A share in the pool is represented by this product, which also includes a statement of stated investment goals. Therefore, a mutual fund is the most appropriate investment for the average person since it provides the opportunity to participate in a basket of assets that is professionally managed and diversified at a cost that is substantially cheaper than other investment options.
Today, investors in the mutual fund business have a selection of 39 mutual funds to choose from, which together provide approximately 500 different products. In spite of the fact that the categories of products that are offered may be categorized under approximately a dozen generic heads, the industry's competition has resulted in the development of unique modifications to conventional products. One of the most significant advantages of having a product choice is that it gives investors the ability to select alternatives that are suitable for their desired rate of return and their level of risk tolerance.

LITERATURE REVIEW

Both Barber and Odean (2000) were published. Trading poses a risk to your wealth, as evidenced by the performance of individual investors in the management of their common stock investments. This seminal piece of research investigates the trading patterns of individual investors and the influence those patterns have on the performance of investments. Barber and Odean come to the conclusion that individual investors have a tendency to engage in frequent trading, which results in inferior returns when compared to buy-and-hold methods that are passive.

M. Grinblatt and M. Keloharju published their findings in the year 2000. Using Finland's one-of-a-kind data set, an investigation into the investment behavior and performance of different types of investors was carried out. Grinblatt and Keloharju conduct an investigation into the investment patterns and outcomes of various sectors of the Finnish investor population. Among investors, they discover evidence of herding behavior, which is characterized by individuals having a tendency to follow the actions of others rather than making independent recommendations for investments.

2008 publication by Frazzini, A., and Lamont, O. The flow of mutual funds and the cross-section of stock returns are both examples of "dumb money." Frazzini and Lamont conduct research into the influence that the flows of mutual funds have on the returns of stocks. According to their findings, the flows of mutual funds have a positive correlation with past returns, but they have a negative correlation with future returns. This suggests that investors have a tendency to chase past performance, which can be detrimental to their financial situation.

1998 publication by Sirri, E. R., and Tufano, P. Searches and flows from mutual funds are expensive. The role of investor search expenses in mutual fund flows is the subject of research conducted by Sirri and Tufano. In spite of the fact that fees and expenses are taken into consideration, they discover that investors are more likely to allocate funds to funds that had previous returns that are higher. It appears from this conduct that investors may not give sufficient consideration to the effect that fees have on the performance of their investments.

During the year 2004, Chen, J., Hong, H., Huang, M., and Kubik, J. D. Does the Size of the Fund Affect the Performance of Mutual Funds? Liquidity and organization both play an important role. The purpose of this study is to investigate the connection between the size of a mutual fund and its performance. The research conducted by Chen et al. indicates that the size of a fund might have a detrimental effect on performance due to liquidity limits and organizational challenges. This finding suggests that larger funds may have difficulty generating alpha.

2008 publication by Goetzmann, W. N., and Kumar, A. Diversification of ownership of equity shares. Additionally, Goetzmann and Kumar investigate the advantages of equities mutual funds in terms of diversification. They come to the conclusion that despite the fact that mutual funds offer advantages in terms of diversification, a significant number of investors are unable to attain optimal diversification due to behavioral biases such as home bias and familiarity prejudice.

Objectives of the study

• For the purpose of doing research into the demographic factors that have an effect on the factors that determine how investors experience a certain company.
• In order to establish the relationship between demographics and the elements that influence the attitudes of investors, it is necessary to conduct research.
• The goal is to determine the level of knowledge that Indian investors have regarding mutual funds to achieve this purpose.
• Conduct research on the Indian mutual fund market and see how it stacks up against other markets.
•There is potential for investors and businesses dealing with mutual funds in India to benefit from the findings of this study.
For the purpose of determining how well-informed they are and how they feel about investments in mutual funds.
It is necessary to investigate the factors that motivate individuals to invest their money in mutual funds.

• For the purpose of gaining an understanding of the difficulties that investors have when it comes to mutual funds

- investments, and to provide recommendations to both investors and mutual fund firms,

RESEARCH METHODOLOGY

DATA COLLECTION PROCEDURE

Sampling Method

Universe: banks and brokers in North Delhi

Sampling unit

Banks and brokerage firms, as well as the general public and financial analysts.

Sample Size 40
The rationale behind the sampling

A comparison of judgmental sampling versus convenient sampling

Methodology:

Personal engagement with the respondents constitutes the primary source of data.

Information obtained from websites, publications, fact sheets of various fund companies, and other sources is referred to as secondary data.
DATA ANALYSIS AND INTERPRETATION

I went to 45 different people and gave them surveys, but only 30 of them responded to them. I have conducted an analysis of my survey based on the responses provided by these respondents. After the questionnaires have been filled out, the next step that has to be taken is to conduct an analysis of the data that has been collected. According to our findings, a greater number of businessmen were interested in investing in the current air conditioning system. When it comes to investing their money, women are more likely to put their money into gold and other forms of jewelry. Individuals who are members of the service class and retired individuals, on the other hand, are more likely to favor either savings or fixed deposits.

Those who have a high income and are still young enough to be willing to accept risks are more likely to favor shares and mutual funds.

In a similar vein, individuals are curious about the returns that they receive from their investments. A comparable and substantial percentage of individuals are equally concerned about the security of their financial resources. The people who seek easy liquidity of money are essentially businesspeople who are required to deal in available cash on a consistent basis. These individuals are the ones who demand easy liquidity of money. Surprisingly, only nine of the twenty-four persons who are aware of the tax benefits are interested in purchasing it, despite the fact that a huge number of people are aware of the benefits.

A relatively small percentage of people actually invest in mutual funds, despite the fact that a vast number of people are familiar with the concept. When they were asked how they learned about mutual funds, a significant majority of respondents said that they learned about them from print media. The role of investment advisors is similar to that of banks in today's world. When it comes to information, very few people obtain it from the electronic media or from their relatives or friends. As a result, advertising and marketing companies (AMCs) have a responsibility to raise awareness about their product through electronic media (such as televisions, cable television, radios, and so on), and they should not limit themselves to merely print advertisements. Individuals who, for whatever reason, do not read newspapers or periodicals have the option of watching or listening to ads instead.

There was a significant proportion of respondents who stated that their understanding of mutual funds does not permit them to invest in it, but another group of respondents thought that government bonds were a far superior investment.

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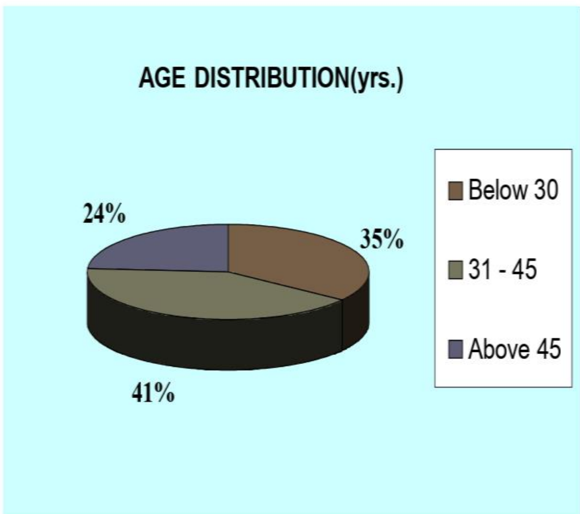
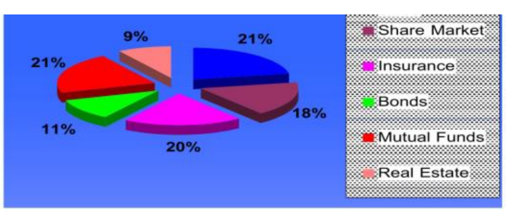
AGE DISTRIBUTION



GRAPH 1: AGE DISTRIBUTION OF RESPONDENTS

- Highest number of Respondents (41%) from Age group 31 to 45 yrs.
- 35% respondents are of age below 30 yrs, small percentage of which isunemployed.



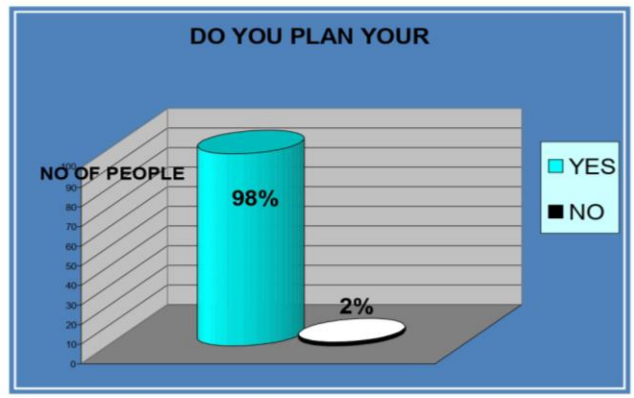
GRAPH 5: INVESTMENT PREFERENCE

- 21% respondents prefer banks and post office schemes as an investment tool preference.
- Respondents of age group below 30 years prefer Mutual Funds, as they providehigher returns than banking investment tools.
- Insurance ranks 2nd as an investment tool choice, which itself includes various protection, saving and pension plans.
- Govt. Bonds & securities are mostly preferred by people of higher age group rather than young generation.
- Property as an investment option is most lucrative choice. However it is important to mention that majority of respondents are in age group of above 30years and people with high income bracket prefers to invest in Real Estate.

GRAPH 3: INCOME DISTRIBUTION

- Highest, 16 respondents in income bracket below 1.5 lacs, which mainly comprises of age group below 30 years.
- Respondents of the age group 31-45 yrs, lie in all the income slabs.
- Minimum, 6 respondents in income bracket of above 5 lacs, which are inage group of above 45 years.

DO YOU PLAN YOUR MUTUAL FUNDS INVESTMENT?



LIMITATION

Due to the fact that the survey is being carried out with a limited amount of time and is also based on secondary data, the scope of this study is restricted.

• It is possible that the responses that were provided by the respondents were skewed for a variety of reasons, or that they were biased due to the fact that they were devoted to a particular bank or brand.

One possible explanation for the fact that some of the respondents were unable to make comments that were accurate is that they were ignorant of the situation.
Due to the fact that the respondents were concerned that they would be exposed to legal action from the government, they chose not to provide the contents of their portfolio.

RECOMMENDATION AND CONCLUSIONS

When seen from the point of view of investors

One of the questions that every single customer, regardless of their age group or the state of their finances at the moment, asks themselves is, "Are mutual funds a safe option?" How come they do not constitute a danger? The foundation for the safety of the mutual fund industry is comprised of the manner in which the business is defined as well as the constraints that are imposed by the legislation. In light of the fact that the mutual fund invests in a wide variety of products that are traded on the capital market, it is absolutely necessary to possess the applicable experience.
Due to this, the most essential need is that both the buyer and the seller be well-informed on the circumstances surrounding the transaction. Preconditions that are essential include those who understand the product and those who assist them in understanding the product (in this case, we can refer to the capital market and the money market instruments).
To be a responsible investor, one should perform the following actions:
You need to make sure that you ask your representative about the particulars of a number of different plans, and then you should match those plans with the appropriate ones.

It is recommended that any issues or problems be directed with the corporation or the fund house in the case that an individual is unsatisfied with the agents.

In order to create an appropriate comparison, investors should always keep a careful check on the performance of the plan in question, as well as the performance of other good schemes that are currently available on the market. This will allow them to make an accurate comparison.

It is imperative that you never make a choice to invest in a company without first going over its annual reports, fact sheets, and any other relevant documentation. This is due to the fact that asset management companies (AMCs) are required to meet certain criteria that have been established by the Securities and Exchange Board of India (SEBI).
required to disclose all of the pertinent information that is required for the investor to make an investment.

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