A STUDY OF INVESTORS' PSYCHOLOGY WITH RESPECT TO MUTUAL FUNDS

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Abstract: Mutual Funds today are one of the most studied areas in developed countries due to their efficient and effective role in reducing risk and enhancing return through professional management of funds. These funds boost the incomes of small investors as well as reduce their exposure to unsystematic risks which needs to be taken into consideration for accurate results. The funds have become extremely popular over the last 20 years. The same funds which were once an obscure instrument are now part of daily lives. Therefore, the main focus of this research paper is to identify the investors' psychology towards investment decision in mutual funds. The sample size for the study was 200 investors in Pune (100 respondents) & Satara District in India (100 respondents).

Keywords: Mutual Fund, Financial Planning, Investors' Psychology

1. INTRODUCTION

Two key & very essential aspects of any investment are time and risk. The sacrifice takes place now and is certain. Benefit is expected in future and tends to be uncertain. Investors' have a wide range of investment avenues available to them. Sacrificing some rigor, they may be classified into the following categories: Non-Marketable Financial Assets, Equity Shares, Bonds, Money Market Instruments, Mutual Fund Schemes, Life Insurance Policies, Precious Objects, Financial Derivatives, and Real Estate. For evaluating an investment avenue, the following attributes are relevant: Rate of Return, Risk, Marketability, Tax Shelter, and Convenience. Investing in a mutual fund is slightly expensive than 'Direct' form of investing. However, the decision-making and procedure of investing is transferred to the mutual fund company. Financial planning is the process of identifying investor's wealth accumulation and protection goals and developing a coordinated plan to help priorities investor's future financial decision.

Financial planning should be taken as seriously as a medical prescription, as it deals with financial health. It should be seen not just as a means of achieving financial security, but as making a vital contribution to investor's overall happiness and peace of mind. Financial planning can be manageable or overwhelming depending upon how one approaches it. Without guidance; it's hard to know what investor needs and when investor needs it. With right information, tools and timeline, the choices become much easier.

In fact too many investors are investing in Mutual Funds. After all it's common knowledge that investing in mutual fund is (or at least should be) better than simply letting waste of cash in a saving account, but for most investor that's where the understanding of funds end.

Originally Mutual Funds were heralded as a way for the little guy to get a piece of a market. Instead of spending all the free time buried in the financial pages of Economic Times all investors' have to do is buy a Mutual Funds and be set on their way to financial freedom. But it's not that easy. Mutual Funds are in excellent idea in theory but in reality they haven't always delivered. Not all Mutual Funds are created equal, and investing in mutual fund isn't easy as putting investor's money at the first sales person who solicits business.

1.1 SIGNIFICANCE OF THE STUDY

Mutual Funds today are one of the most studied areas in developed countries due to their efficient and effective role in reducing risk and enhancing return through professional management of funds. These funds boost the incomes of small investors as well as reduce their exposure to unsystematic risks which needs to be taken into consideration for accurate results. The funds have become extremely popular over the last 20 years. The same funds which were once an obscure instrument are now part of daily lives. Therefore, this proposed research is majorly focuses on investors' psychology towards their investment avenues with special reference given to mutual fund due to its benefits to investors'.

2. LITERATURE REVIEW

a) **Abhijeet Chandra & Ravinder Kumar (March 2011):** *"Determinants of Individual Investor Behavior: An Orthogonal Linear Transformation Approach"* – Expected utility theory views the individual investment decision as a tradeoff between immediate consumption and deferred consumption. But individuals do not always prefer according to the classical theory of economics. Recent studies on individual investor behavior have shown that they do not act in a rational manner, rather several factors influences their investment decisions in stock market. The present study considers this theory of irrationality of individual investors and investigates into their behavior relating to investment decisions. We examine whether some psychological and contextual factors affect individual investor behavior and if yes which factors influences most. Extrapolating from previous literature on economics, finance and psychology, we surveyed individual investors to find what and to what extent affects their investment behavior. Our conceptual analysis, empirical findings and the perspective framework that we have developed in the present study, provide five major factors that can influence individual investor behavior in Indian stock market. The findings can be useful in profiling individual investors and designing appropriate investment strategies according to their personal characteristics, thereby enabling them optimum return on their investments.

b) **Amir Barnea, Henrik Cronqvist, and Stephan Siegely (2010):** *"Nature or Nurture: What Determines Investor Behavior?"* – Using data on identical and fraternal twins' complete financial portfolios, we decompose the cross sectional variation in investor behavior. We find that a genetic factor explains about one third of the variance in stock market participation and asset allocation. Family environment has an effect on the behavior of young individuals, but this effect is not long-lasting and disappears as an individual gains experiences. Frequent contact among twins results in similar investment behavior beyond a genetic factor. Twins who grew up in different environments still display similar investment behavior. Our interpretation of a genetic component of the decision to invest in the stock market is that there are innate differences in factors affecting effective stock market

participation costs. We attribute the genetic component of asset allocation - the relative amount invested in equities and the portfolio volatility - to genetic variation in risk preferences.

c) **Brad M. Barber, Terrance Odean & Lu Zheng (Sept 2000):** *"The Behavior of Mutual Fund Investors"* – We analyze the mutual fund purchase and sale decisions of over 30,000 households with accounts at a large U.S. discount broker for the six years ending in 1996. We document three primary results. First, investors buy funds with strong past performance; over half of all fund purchases occur in funds ranked in the top quintile of past annual returns. Second, investors sell funds with strong past performance and are reluctant to sell their losing fund investments; they are twice as likely to sell a winning mutual fund rather than a losing mutual fund and, thus, nearly 40 percent of fund sales occur in funds ranked in the top quintile of past annual returns. Third, investors are sensitive to the form in which fund expenses are charged; though investors are less likely to buy funds with high transaction fees (e.g., broker commissions or front-end load fees), their purchases are relatively insensitive to a fund's operating expense ratio. We argue that the representative heuristic leads investors to buy past winners, the disposition effect renders investors reluctant to sell their losers, and framing effects cause investors to react differently to various forms of fund expenses. Given extant evidence on the persistence of mutual fund performance, one can reasonably argue that the purchase of last year's winning funds is rational. However, we argue that selling winning fund investments and neglecting a fund's operating expense ratio when purchasing a fund is clearly counterproductive.

d) **Brian M. Lucey & Michael Dowling:** *"THE ROLE OF FEELINGS IN INVESTOR DECISION-MAKING"* – This paper surveys the research on the influence of investor feelings on equity pricing and also develops a theoretical basis with which to understand the emerging findings of this area. The theoretical basis is developed with reference to research in the fields of economic psychology and decision-making. Recent advancements in understanding how feelings affect the general decision-making of individuals, especially under conditions of risk and uncertainty [e.g. Loewenstein et al. (2001). Psychological Bulletin 127: 267–286], are covered by the review. The theoretical basis is applied to analyze the existing research on investor feelings [e.g. Kamstra et al. (2000). American Economic Review (forthcoming); Hirshleifer and Shumway (2003). Journal of Finance 58 (3): 1009–1032]. This research can be broadly described as investigating whether variations in feelings that are widely experienced by people influence investor decision-making and, consequently, lead to predictable patterns in equity pricing. The paper concludes by suggesting a number of directions for future empirical and theoretical research.

e) **Ch.Pavani & P.Anirudh (July 2010):** *"Investor Behavior Analysis"* – Investor behavior analysis is a study made on the demographics and psychographics of the investor considering the parameters like age, gender and income groups and also some psychological parameters that will attract the investor towards that particular investment. This analysis describes why an investor will opt a particular investment and the motive behind the investment and other objectives of investment.

f) **George Horia Ionescu, Dragos Mihai Ungureanu, Ruxandra Dana Vilag & Florian Bogdan Stoian (2009):** *"FINANCIAL CONTAGION AND INVESTORS BEHAVIOR"* – International capital markets, in general, seem to be volatile markets, influenced by many factors, a phenomenon that affects both developed markets, as well as least developed, with emerging market economies suffering most because of this. It is clear, however, that volatility will remain for as long as it is delayed the adoption of specific measures at national and international financial architecture level, measures that may be necessary to reduce these risks, to limit their impact, and that the question financial market can relapse in a manner as efficiently as possible.

g) **Halil Tunalı & Ferda Yerdelen Tatoglu (2010):** *"The Analysis of Factors Affecting Investment Choices of Households in Turkey with Multinomial Logit Model"* – Households don't spend all of their income but save some of them for various purposes. One of these purposes is to invest. The choice of investment instruments are affected not only by financial factors but also by socio-psychological factors. Revealing how individuals determine their investment choices in a world in which investment instruments are very diversified, will be useful to both portfolio managers and economic policy makers. In this paper, investment choices are classified into seven categories, and elements affecting investment choices are determined by analyzing with multinomial logit model the data obtained from 1300 public surveys conducted in the city of Istanbul in Turkey that can be accepted as a small sample of Turkey. The results show that investment choices of households are affected not only by economic factors but also by social and personal factors.

h) **NARANG SOMIL (2007):** *"INVESTIGATING THE FACTORS AFFECTING THE INVESTMENT DECISION IN RESIDENTIAL DEVELOPMENT"* – The purpose of this project is to provide a rare insight into the motivation behind residential property investors when looking to purchase an apartment. The factors driving demand preferences for housing are constantly changing, difficult to measure, and often deemed to be a complex bundle of attributes. The project attempts to answer the following questions: What are the factors affecting the investment decision in a Residential Development? To identify the significance and weight of such factors in the decision making process. To what extent the rise in interest rates affect the customer's decision of different income profiles in purchasing a residential apartment?

i) **Nicolas P.B. Bollen (February 2006):** *"Mutual Fund Attributes and Investor Behavior"* – I study the dynamics of investor cash flows in socially responsible mutual funds. Consistent with anecdotal evidence of loyalty, the monthly volatility of investor cash flows is lower in socially responsible funds than conventional funds. I find strong evidence that cash flows into socially responsible funds are more sensitive to lagged positive returns than cash flows into conventional funds, and weaker evidence that cash outflows from socially responsible funds are less sensitive to lagged negative returns. These results indicate that investors derive utility from the socially responsible attribute, especially when returns are positive.

j) **Shyan-Rong Chou, Gow-Liang Huang & Hui-Lin Hsu (2010):** *"Investor Attitudes and Behavior towards Inherent Risk and Potential Returns in Financial Products"* – This

study attempts to establish a model by which to measure attitudes and behavior towards investment risk. A sample of Taiwanese investors are surveyed to determine their past investment experience as an anchor, and to record their responses when exposed to economic signals. This was implemented to form a framework (framing) for interpretation of their respective attitudes and behaviors. Empirical results found no difference by gender to investor propensity to take risk, nor in cognitive perception of such. However, higher and lower perceptions of risk were indicated by investors according to their personal investment experience. Investors with little experience in stocks and structured notes were found to have significantly heightened perception of risk. Thus the model proposed is relevant in finding a positive correlation between experience and propensity of risk, though the understanding of such remains uncertain. In respect to financial products other than mutual funds, investor propensity and perception of risk tend to show a negative correlation. Similarly, investor perceptions of risk and expected returns indicate a significant negative correlation. Finally, when positive information is presented, investor perception on structured notes is lower with higher expected remuneration.

k) **William N. Goetzmann & Nadav Peles (1995):** *"Cognitive Dissonance and Mutual Fund Investors"* – We present evidence from questionnaire studies of mutual fund investors about recollections of past fund performance. We find that investor memories exhibit a positive bias, consistent with current psychological models. We find that the degree of bias is conditional upon previous investor choice, a phenomenon related to the well known theory of cognitive dissonance. The magnitude of psychological and economic frictions in the mutual fund industry is examined via a cross-sectional study of equity mutual funds. We find an unusually high frequency of poorly performing funds, consistent with investor "inertia." Analysis of aggregate dollar investments however, shows the net effect of this inertia is small. Thus the regulatory implications with respect to additional disclosure requirements are limited. We examine one widely documented empirical implication of mutual fund investor inertia: the differential response of investment dollars to past performance. We perform tests that control for the crucial problem of survivorship. These confirm the presence of differential response, but find the effect is confined to the top quartile. There is little evidence that the response to poor performance is unusual.

l) **Pravin N Mahamuni, Santosh K Apte and Dr. Anand G Jumle (Oct 2010):** *"A STUDY ON PERSONAL FINANCIAL PLANNING FOR IT SECTOR INVESTOR IN PUNE"* – The evaluation of financial planning has been increased through decades, which is best seen in customer rise. Now a day's investment of saving has assumed great importance. According to the study of the markets, it is being observed that markets are doing well in Mutual fund. In near future a proper financial planning has required to invest money in all type of financial product for every investor because there is good potential in market to invest money to achieve their objectives. In this research, emphasis is given to the investor's mind in respect to investment i.e. the needs and wants are taken into consideration while designing a questionnaire. The main objective of this research is to know the interest of the investor for doing individual financial planning and also to study the investors' preferences towards Financial Products on the magnitude of age group. While selecting the sample the researcher has given more emphasis on IT sector investor in Pune because it is the only sector where all type of Age group, Income class and different level of people are

represented. The researcher used convenient sampling method for collecting data of 150 samples. After analyzing the data, the conclusion has been made that the Indian financial market is having lots of potential customer the only thing is to give a proper guidance to the prospective customers. It has been conclude that very few investors are interested in doing financial planning & there intention is different towards investments.

m) **Ms. Madhu Arora & Ms. Poonam Khurana (2010):** *"Psychological aspects of male and female investors towards money matters"* – Financial sector is the backbone of any healthy nation. In finance theories it is assumed that people behave rationally and predictably when it is economic/financial matter. In several recent studies it is found that male investors are more overconfident than female investors. When it comes to our financial lives, however, our endearing human emotional biases can have a very serious negative effect on our long-term financial health. The study of how emotion affects investing behavior is called behavioral finance, Present paper is an attempt to understand psychological aspects in attitude of gender investing and analyzes whether concern about investment in men and women are homogeneous or not. Using data for 200 households form Delhi working professionals it has been analyzed that males will trade more than females. The reason found that female investors appear both to be more risk averse and to have less confidence in their investment decisions than male investors.

n) **P.Varadharajan & Dr.P Vikkraman(2010):** *"A study on investor's perception towards investment decision in equity market"* – The main focus of this research paper is to identify the investors' perceptions towards investment decision in equity market. The sample size for the study was 50 investors in Coimbatore and studied their attitude towards selection of stock, company, risk, equity portfolio, financial affairs and their expected return. Frequency analysis and various statistical tools were used to describe the variables. Suggestions given in the end will help the investors to sort out the errors committed by them in making investment decisions.

3. RESEARCH METHODOLOGY
This research is majorly focuses on investors' psychology towards their investment avenues with special reference given to mutual fund due to its benefits to investors'.

3.1 STATEMENT OF PROBLEM
To investigate the impact of investor psychology on their investment while taking investment decision with special reference given to mutual fund. The fact the even the most prominent & well – educated investor, as well as uneducated investor were affected by the speculative bubble in the mutual fund sector that something might well be fundamentally wrong. One can presume that the behavior between investors, the behavior & recommendations of the investors to such a degree that they are unable to recognize the reality of the market situation or make own their decision.

3.2 OBJECTIVES OF THE STUDY
The study purports following objectives:
- To know various parameters of investment motives by investors.
- To study the interrelation between investors' psychology with income group.

3.3 HYPOTHESIS
Researcher has formulated following hypothesis for test:
i.   The investors having high income prefer huge investment in risky avenues.
ii. The investors' age affects choice of investment avenues.

3.4 SCOPE OF THE STUDY
a   The scope of the study is based on following points:
b   The study is conducted in Pune City and Satara City (India), to analyze the investors' preferences regarding investment in Mutual Fund on the magnitude of psychological involvement and income group. For the analysis of data analytical techniques like Graphs, Tables, Averages, Percentage and Ranking Method has been adopted.
c   Data has been processed with the help of Microsoft Excel.

3.5 DATA REQUIRED FOR THE STUDY:
To carry out the research data such as Conceptual knowledge about Mutual Fund; Investor's Annual Income, House Hold Income and their Demographics and Investor's objectives behind Investment in Mutual Funds are required.

Data Sources:
Primary data: To assess investors' psychology demographic features, investment objectives are going to be collected from primary sources.
Secondary data: Conceptual knowledge and company profile will be collected with the help of secondary sources viz. books, magazines, journals and web sites.
Instruments:
To collect the primary data schedules is prepared. This schedule consist around twenty six close and open ended questioned which siphon off information viz. individual profile, investment pattern, motives of investment etc. Schedule is then executed on samples.

Sampling:
Universe of this research is infinite in nature so researcher has used Non-Probability Convenient sampling method and has taken 200 Investors' (i.e.100 from, Pune and 100 from Satara City) for the study.

Data Analysis:
Data collected from primary sources and secondary sources is analyzed. The analyzed data is formulated in to the tabular form and diagrammatic form.

Tools Used for Analysis:
In order to derive meaningful result researcher has used the bar charts, pie charts and line charts and in addition Pearson's correlation, ranking such statistical tools are used.
Data analysis is done into three parts as follows:
      1) Data analysis for Investors' of Pune city.
      2) Data analysis for Investors' of Satara city.
      3) Data analysis with reference to Comparative Study.

4. DATA ANALYSIS

4.1 Data Analysis for Investors' of Pune City
Gender Wise Analysis
Following table imparts numerical value about gender wise investment of investors'.

Table-1: Gender

Sr. No.	Gender	Frequency	Percentage
1	Male	89	89
2	Female	11	11
	Total	**100**	**100**

(Source: Primary Data)

Preceding table represents the number of investors according to gender differences from that it can be inferred that 89 of them are male investors invest in various avenues and only 11 female investors out of 100 samples.

From the study it is concluded that percentage of male investors is greater than that of female investors for the investment in several avenues available.

Age Wise Distribution of Investment Pattern
Following table shows age wise investment pattern of the investors.

Table-2: Age Wise Distribution of Investment Pattern

Sr. No.	Age	Frequency	Percentage
1	Below 20 Years	0	0
2	21-25	16	16
3	26-30	34	34
4	31-35	18	18
5	36-40	10	10
6	41-45	7	7
7	46-50	4	4
8	51-55	6	6
9	56-60	3	3
10	60 Years and Above	2	2
	Total	**100**	**100**

(Source: Primary Data)

From the table above it can be depicted that 34% of investors fall under the age group of 26-30 followed by 18% of them come under age group of 31-35 and only 2% of them fall under age above 60. Thus age group from 26-35 invest more in diverse avenues. Youngsters are more responsive to the financial instruments like Mutual Funds.

Income Wise Dispersal

Various slots of income of investors are presented in the table below.

Table-3: Income Wise Dispersal

Sr. No.	Annual Income	Frequency	Percentage
1	Below 50000	2	2
2	50000-100000	11	11
3	100001-200000	21	21
4	200001-500000	49	49
5	Above 500000	17	17
	Total	**100**	**100**

(Source: Primary Data)

The preceding table reveals annual income of the investors. The table illustrates that maximum chunk i.e. about 49% having annual income of 200001-500000 and the minimum i.e. 2% chunk has annual income below 50000.

From the study it can be summed-up that great sizes of investors are placed in income slot of 200001-500000.

Percentage Savings of Income
The table below manifests the array of savings pattern of income.

Table-4: Percentage Savings of Income

Sr. No.	Savings in Percentage	Frequency	Percentage
1	0%-10%	10	10
2	10%-20%	12	12
3	20%-30%	28	28
4	30%-40%	14	14
5	40%-50%	16	16
6	50%-60%	9	9
7	60%-70%	5	5
8	70%-80%	2	2
9	80% and Above	4	4
	Total	**100**	**100**

(Source: Primary Data)

The table above divulges the percentage savings of income as it can be seen 28% investors saves their income about 20%-30% followed by 16% investors saves in array of 40%-50%, while 2% investors in 70%-80% saving slot.

Hence, Investors' tries to save at least some part of their income for investments irrespective of their income.

Investment of Savings
The table given below reveals the information regarding investment of savings.

Table 5: Investment of Savings

Sr. No.	Investment of Savings	Frequency	Percentage
1	Yes	100	100
2	No	0	0
	Total	**100**	**100**

(Source: Primary Data)

Above table gleams the information about the frequency of investors' those who invest their savings. The table shows that all the 100 investors' invests their savings.

It has been found that all investors' are acquainted with the importance of investment.

Preferred Investment Avenues
Following table shows various avenues available for the investment.

Table-6: Preferred Investment Avenues

Sr. No.	Investment Avenues	Frequency	Percentage
1	Insurance	93	18
2	PPF	57	11
3	Shares	39	8
4	**Mutual Fund**	**89**	**17**
5	Gold	8	2
6	Bonds	27	5
7	Real Estate	45	9
8	Art Objects	6	1
9	NSC	53	10
10	Company Deposits	11	2
11	Precious Stones	16	3
12	Commodities	23	4
13	Bank Fixed Deposits	34	7
14	Any Other	14	3
	Total	**515**	**100**

(Source: Primary Data)

Table above summarizes various products preferred for the investment. It is clear from the above table that out of 100 samples, 93 investors invest in Insurance, followed by 89 opt for Mutual Fund, whereas only 6 investors prefer for Art Objects.

From the study it is concluded that majority of samples invest in Insurance followed by Mutual Fund.

Out of 100 samples 89 samples found to invest in Mutual Funds, hence for further analysis these 89 samples have been taken.

Investment Objectives

The following table deciphers Investment objectives of the investors'.

Table-7: Investment Objectives

Sr. No.	Investment Objectives	Weighted Score	Rank
1	Return	377	2
2	Tax Saving/Planning	389	1
3	Time Span	342	3
4	Retirement Benefits	297	4
5	Coverage of Risk	235	5
6	Future Needs	229	6

(Source: Primary Data)

Investors invest in the Mutual Funds for various purposes as per their convenience. The table above summarizes several investment objectives while investing as it can seen tax saving/planning has been ranked first as investors give utmost importance to it followed by returns and time span of investment. Future needs and obligations is the objective which is ranked last as it may be considered least important while investing.

Time Frame for Investment

Following table reveals time frame selected for the investment.

Table 8: Time Frame for Investment

Sr. No.	Tenure of Investment	Frequency	Percentage
1	Short Term (Up To 1 Year)	27	30
2	Medium Term (1-3 Years)	49	55
3	Long Term (More than 3 Years)	13	15
	Total	**89**	**100**

(Source: Primary Data)

Thus from the above table it can be seen that 27 investors i.e. 30% invest for one year while 49 investors i.e. 55% invest between the time frame of 1-3 years whereas 13 investors i.e.15% invest for more than 3 years.

It can be concluded that most of the investors choose a time frame between 1-3 years for the investment. It may be because the funds which have got lock in period of three years delivers tax benefit and long duration may give better returns and quick liquidity.

Investment Expectations

Subsequent table betrays Investment Expectations of investors.

Table-9: Investment Expectations

Sr. No.	Investment Expectations	Weighted Score	Rank
1	Interest/Dividend	294	2

2	Capital Appreciation	276	3
3	Liquidity	246	4
4	Increase in Asset Value	218	5
5	Security	301	1

(Source: Primary Data)

Investors' have distinct investment expectations from the Mutual Fund Returns. Above table explains the expected returns while investing as it can be seen that security has been ranked first followed by interest/dividend and capital appreciation. Increase in assets value is the factor which is ranked last as it may not be considered or given the utmost importance while investing.

Investment Decisions

Following table imparts information regarding investment decisions. This investment decision has been measured on five point scale as follows:

Table-10: Investment Decisions

Sr. No.	Investment Decision	Scale Value	Rank
1	Safety	334	1
2	Liquidity	235	4
3	Tax Saving	244	3
4	Capital Appreciation	202	5
5	Return	320	2

(Source: Primary Data)

From the above table it is inferred that investors give prime preference to safety and has been ranked first followed by return whereas investors give least preference to capital appreciation and has been ranked fifth.

Investment Allocation in several Funds

The table below divulges various options used by the investors during the investment.

Table-11: Investment Allocation in several Funds

Sr. No.	Investment Allocation	Up to 25%	25-50%	50-75%	Total
1	Debt	31	26	04	61
2	Equity	43	05	09	57
3	Contra	42	10	00	52
4	Blue Chip	52	05	00	57
5	Balanced	41	14	07	62
	Total	**209**	**60**	**20**	**289**

(Source: Primary Data)

From the above table it can be inferred that balanced fund is frequently preferred as 62 investors opt for balanced fund which is followed by debt fund i.e. by 61 investors and the last one is contra fund as 52 investors preferred it. Also it has been originated from the above table that significant volume i.e. 52 investors are invested in blue chip funds.

Investment Preferences

Following table betrays Investment Preferences of investors in Mutual fund.

Table 12: Investment Preferences

Sr. No.	Investment Preferences	Weighted Score	Rank
1	Consistency of Returns	316	4
2	Financial Performance	348	2
3	Brand Image	411	1
4	Div. Payout/Reinvestment	231	6
5	Growth	237	5
6	NAV	326	3

(Source: Primary Data)

Investors invest in the Mutual Funds with several preferences as per their understanding of subject. The table above summarizes several investment preferences while investing as it can be seen that brand image has been ranked first as investors give utmost importance to it and dividend payout/ reinvestment is ranked last as investors may considered it as least important preference while investing.

Investment Reasons

The table given below represents the various reasons of investment.

Table-13: Investment Reasons

Sr. No.	Investment Reasons	Frequency	Percentage
1	Past Performance	72	28
2	Portfolio	62	23
3	Brand Name	68	25
4	NAV	65	24
5	Others	0	0
	Total	**267**	**100**

(Source: Primary Data)

The preceding table shows the various reasons of investment in the mutual fund preferred by the investors according to their requirements. The above table describes that 28% investors opt for past performance of the company followed by 25% investors for brand name whereas 23% investors go with portfolio of the company.

4.2 Data Analysis for Investors' of Satara City

Gender Wise Analysis

Following table imparts numerical value about gender wise investment of investors'.

Table-14: Gender

Sr. No.	Gender	Frequency	Percentage
1	Male	91	91
2	Female	9	9
	Total	**100**	**100**

(Source: Primary Data)

Preceding table represents the number of investors according to gender differences from that it can be inferred that 91 of them are male investors invest in various avenues and only 9 female investors out of 100 samples.

From the study it is concluded that percentage of male investors is greater than that of female investors for the investment in several avenues available.

Age Wise Distribution of Investment Pattern
Following table shows age wise investment pattern of the investors.

Table-15: Age Wise Distribution of Investment Pattern

Sr. No.	Age	Frequency	Percentage
1	Below 20 Years	0	0
2	21-25	14	14
3	26-30	29	29
4	31-35	19	19
5	36-40	12	12
6	41-45	7	7
7	46-50	9	9
8	51-55	3	3
9	56-60	6	6
10	60 Years and Above	1	1
	Total	**100**	**100**

(Source: Primary Data)

From the table above it can be depicted that the 29% of the investors fall under the age group of 26-30 followed by 19% of them come under age group of 31-35 and only 1% of them fall under age above 60. Thus age group from 26-35 invest more in diverse avenues. Youngsters are more responsive to the financial instruments like Mutual Funds.

Income Wise Dispersal
Various slots of income of investors are presented in the table below.

Table 16: Income Wise Dispersal

Sr. No.	Annual Income	Frequency	Percentage
1	Below 50000	6	6
2	50000-100000	9	9
3	100001-200000	25	25
4	200001-500000	53	53
5	Above 500000	7	7
	Total	**100**	**100**

(Source: Primary Data)

The preceding table reveals annual income of the investors. The table illustrates that maximum chunk i.e. about 53% having annual income of 200001-500000 and the minimum of 6% chunk having annual income below 50000.

From the study it can be summed-up that great sizes of investors are placed in income slot of 200001-500000.

Percentage Savings of Income
The table below manifests the array of savings pattern of income.

Table 17: Percentage Savings of Income

Sr. No.	Savings in Percentage	Frequency	Percentage
1	0%-10%	11	11
2	10%-20%	14	14
3	20%-30%	26	26
4	30%-40%	10	10
5	40%-50%	15	15
6	50%-60%	3	3
7	60%-70%	9	9
8	70%-80%	5	5
9	80% and Above	7	7
	Total	**100**	**100**

(Source: Primary Data)

The table above divulges the percentage savings of income as we can see 26% investors saves their income about 20%-30% followed by 15% investors saves in array of 40%-50%, while 3% investors in 50%-60% saving slot.

Hence, Investors' tries to save at least some part of their income for investments irrespective of their income.

Investment of Savings
The table given below reveals the information regarding investment of savings.

Table 18: Investment of Savings

Sr. No.	Investment of Savings	Frequency	Percentage
1	Yes	100	100
2	No	0	0
	Total	**100**	**100**

(Source: Primary Data)

Above table gleams the information about the frequency of investors' those who invest their savings. The table shows that all the 100 investors' invests their savings. It has been found that all investors' are acquainted with the importance of investment.

Preferred Investment Avenues
Following table shows various avenues available for the investment.

Table 19: Preferred Investment Avenues

Sr. No.	Investment Avenues	Frequency	Percentage
1	Insurance	90	20
2	PPF	59	12
3	Shares	38	8
4	**Mutual Fund**	**81**	**17**
5	Gold	5	1
6	Bonds	26	5
7	Real Estate	41	8
8	Art Objects	2	0
9	NSC	55	11
10	Company Deposits	7	1
11	Precious Stones	14	3
12	Commodities	19	4
13	Bank Fixed Deposits	37	8
14	Any Other	12	2
	Total	**486**	**100**

(Source: Primary Data)

Table above summarizes various products preferred for the investment. It is clear from the above table that out of 100 samples, 90 investors invest in Insurance, followed by 81 opt for Mutual Fund, whereas only 2 investors prefer for Art Objects.

From the study it is concluded that majority of samples invest in Insurance followed by Mutual Fund.

Out of 100 samples 81 samples found to invest in Mutual Funds, hence for further analysis these 81 samples have been taken.

Investment Objectives

The following table deciphers Investment objectives of the investors'.

Table No. 20: Investment Objectives

Sr. No.	Investment Objectives	Weighted Score	Rank
1	Return	345	2
2	Tax Saving/Planning	374	1
3	Time Span	337	3
4	Retirement Benefits	261	4
5	Coverage of Risk	207	5
6	Future Needs	177	6

(Source: Primary Data)

Investors invest in the Mutual Funds for various purposes as per their convenience. The table above summarizes several investment objectives while investing as it can seen tax saving/planning has been ranked first as investors give utmost importance to it followed by

returns and time span of investment. Future needs and obligations is the objective which is ranked last as it may be considered least important while investing.

Time Frame for Investment
Following table reveals time frame selected for the investment.

Table 21: Time Frame for Investment

Sr. No.	Tenure of Investment	Frequency	Percentage
1	Short Term (Up To 1 Year)	22	27
2	Medium Term (1-3 Years)	45	56
3	Long Term (More than 3 Years)	14	17
	Total	**81**	**100**

(Source: Primary Data)

Thus from the above table it can be seen that 22 investors i.e. 27% invest for one year while 45 investors i.e. 56% invest between the time frame of 1-3 years whereas 14 investors i.e. 17% invest for more than 3 years.

It can be concluded that most of the investors choose a time frame between 1-3 years for the investment. It may be because the funds which have got lock in period of three years delivers tax benefit and long duration may give better returns and quick liquidity.

Investment Expectations
Subsequent table betrays Investment Expectations of investors.

Table 22: Investment Expectations

Sr. No.	Investment Expectations	Weighted Score	Rank
1	Interest/Dividend	248	3
2	Capital Appreciation	292	2
3	Liquidity	217	4
4	Increase in Asset Value	160	5
5	Security	298	1

(Source: Primary Data)

Investors' have distinct investment expectations from the Mutual Fund Returns. Above table explains the expected returns while investing as it can be seen that security has been ranked first followed by capital appreciation and interest/dividend. Increase in assets value is the factor which is ranked last as it may not be considered or given the utmost importance while investing.

Investment Decisions
Following table imparts information regarding investment decisions. This investment decision has been measured on five point scale as follows:

Table 23: Investment Decisions

Sr. No.	Investment Decision	Scale Value	Rank
1	Safety	319	1
2	Liquidity	183	4
3	Tax Saving	221	3

| 4 | Capital Appreciation | 180 | 5 |
| 5 | Return | 312 | 2 |

(Source: Primary Data)

From the above table it is inferred that investors give prime preference to safety and has been ranked first followed by return whereas investors give least preference to capital appreciation and has been ranked fifth.

Investment Allocation in several Funds
The table below divulges various options used by the investors during the investment.

Table 24: Investment Allocation in several Funds

Sr. No.	Investment Allocation	Up to 25%	25-50%	50-75%	Total
1	Debt	28	22	02	52
2	Equity	36	05	07	48
3	Contra	34	11	00	45
4	Blue Chip	45	04	00	49
5	Balanced	37	12	05	54
	Total	**180**	**54**	**14**	**248**

(Source: Primary Data)

From the above table it can be inferred that balanced fund is frequently preferred as 54 investors opt for balanced fund which is followed by debt fund i.e. by 52 investors and the last one is contra fund as 45 investors preferred it. Also it has been originated from the above table that significant volume i.e. 45 investors are invested in blue chip funds.

Investment Preferences
Following table betrays Investment Preferences of investors in Mutual fund.

Table No. 25: Investment Preferences

Sr. No.	Investment Preferences	Weighted Score	Rank
1	Consistency of Returns	275	4
2	Financial Performance	342	2
3	Brand Image	395	1
4	Div. Payout/Reinvestment	221	5
5	Growth	182	6
6	NAV	286	3

(Source: Primary Data)

Investors invest in the Mutual Funds with several preferences as per their understanding of subject. The table above summarizes several investment preferences while investing as it can be seen that brand image has been ranked first as investors give utmost importance to it and growth preference is ranked last as investors may considered it as least important preference while investing.

Investment Reasons

The table beneath represent the various reasons of investment.

Table 26: Investment Reasons

Sr. No.	Investment Reasons	Frequency	Percentage
1	Past Performance	72	28
2	Portfolio	62	23
3	Brand Name	68	25
4	NAV	65	24
5	Others	0	0
	Total	**267**	**100**

(Source: Primary Data)

The preceding table shows the various reasons of investment in the mutual fund preferred by the investors according to their requirements. The above table describes that 28% investors opt for past performance of the company followed by 25% investors for brand name whereas 23% investors go with portfolio of the company.

4.3 Data Analysis With Reference to Comparative Study:

Researcher has made an attempt to have comparative study.

➢ *Correlations have been established between age and investment objectives, investment tenure, investment expectations, and investment preferences.*

Correlation between Age and Investment Objectives

Following table shows correlation between age and investment objectives from samples of Pune and Satara city.

Table 27: Correlation between Age and Investment Objectives

Sr. No.	Investment Objectives	Correlation	
		Pune	Satara
1	Return	-0.112549	0.03092772
2	Tax Saving/Planning	0.01453553	-0.2484221
3	Time Span	-0.0413761	0.00964487
4	Retirement Benefits	0.06194854	0.06038217
5	Coverage of Risk	0.06380709	0.02066443
6	Future Needs	0.01193826	0.16034198

(Source: Primary Data)

Correlation between Age and Investment Tenure

Following table shows correlation between age and investment tenure from samples of Pune and Satara city.

Table 28: Correlation between Age and Investment Tenure

Sr. No.	Investment Tenure	Correlation	
		Pune	Satara
1	Short Term (Up To 1 Year)	0.07079863	-0.0633555

| 2 | Medium Term (1-3 Years) | 0.07672541 | -0.0452768 |
| 3 | Long Term (More than 3 Years) | 0.06752874 | -0.0800247 |

(Source: Primary Data)

Correlation between Age and Investment Expectations

Following table shows correlation between age and investment expectations from samples of Pune and Satara city.

Table 29: Correlation between Age and Investment Expectations

Sr. No.	Investment Expectations	Correlation	
		Pune	**Satara**
1	Interest/Dividend	0.13511131	0.01326374
2	Capital Appreciation	-0.009551	0.12136289
3	Liquidity	0.03449116	0.03879932
4	Increase in Asset Value	-0.2171003	-0.1165322
5	Security	0.09390152	-0.0231905

(Source: Primary Data)

Correlation between Age and Investment Preferences

Following table shows correlation between age and investment preferences from samples of Pune and Satara city.

Table 30: Correlation between Age and Investment Preferences

Sr. No.	Investment Preferences	Correlation	
		Pune	**Satara**
1	Consistency of Returns	0.10696895	0.07495028
2	Financial Performance	0.03866727	-0.0850489
3	Brand Image	-0.0503794	-0.0019601
4	Div. Payout/Reinvestment	0.06779669	0.07464454
5	Growth	-0.1447595	0.01941558
6	NAV	-0.0121	-0.0952201

(Source: Primary Data)

> ➢ *Researcher further made an attempt to establish Correlations between income and investment objectives, investment tenure, investment expectations, and investment preferences.*

Correlation between Income and Investment Objectives

Following table shows correlation between income and investment objectives from samples of Pune and Satara city.

Table 31: Correlation between Income and Investment Objectives

Sr. No.	Investment Objectives	Correlation	
		Pune	**Satara**
1	Return	-0.0267507	-0.0601001

2	Tax Saving/Planning	0.00992784	0.14780444
3	Time Span	-0.1167166	0.11131961
4	Retirement Benefits	0.15493028	0.09686944
5	Coverage of Risk	-0.0476889	-0.1054816
6	Future Needs	0.0137087	-0.1866845

(Source: Primary Data)

Correlation between Income and Investment Tenure

Following table shows correlation between income and investment tenure from samples of Pune and Satara city.

Table 32: Correlation between Income and Investment Tenure

Sr. No.	Investment Tenure	Correlation	
		Pune	Satara
1	Short Term (Up To 1 Year)	-0.000459	-0.2554153
2	Medium Term (1-3 Years)	-0.0103592	-0.2792467
3	Long Term (More than 3 Years)	-0.0648914	-0.2676431

(Source: Primary Data)

Correlation between Income and Investment Expectations

Following table shows correlation between income and investment expectations from samples of Pune and Satara city.

Table 33: Correlation between Income and Investment Expectations

Sr. No.	Investment Expectations	Correlation	
		Pune	Satara
1	Interest/Dividend	0.00546416	0.26227648
2	Capital Appreciation	-0.1059553	0.22848317
3	Liquidity	0.0029467	-0.032671
4	Increase in Asset Value	-0.0476618	-0.0737756
5	Security	0.10088381	-0.2666895

(Source: Primary Data)

Correlation between Income and Investment Preferences

Following table shows correlation between income and investment preferences from samples of Pune and Satara city.

Table 34: Correlation between Income and Investment Preferences

Sr. No.	Investment Preferences	Correlation	
		Pune	Satara
1	Consistency of Returns	0.05510895	-0.0214006
2	Financial Performance	-0.1344371	0.08662962
3	Brand Image	-0.0503375	0.03790876
4	Div. Payout/Reinvestment	0.06653341	0.08973149

| 5 | Growth | -0.0675381 | -0.0959451 |
| 6 | NAV | 0.11747883 | -0.0980143 |

(Source: Primary Data)

From above the correlation analysis i.e. analysis of age and investment objectives, investment tenure, investment expectations, and investment preferences and analysis of income and investment objectives, investment tenure, investment expectations, and investment preferences. It has been found that the data shows **no co-relation** between the series. *This may be because the variation in demographic features of samples since the sample is non-probability convenient in nature. The study leaves considerable error in selection of samples.*

4.4 Testing of Hypothesis
Researcher has formulated following hypothesis for test:
1. The investors having high income prefer huge investment in risky avenues.
2. The investors' age affects choice of investment avenues.
3.

On the basis of correlation analysis, researcher rejects both the hypothesis since there is no co-relation between age and variables taken for test and income and other variables.

5. **FINDING FROM THE STUDY**
   ✓ The percentage of male investors is greater than that of female investors for the investment in several avenues available.
   ✓ Youngsters are more responsive to the financial instruments like Mutual Funds.
   ✓ From the study it can be summed-up that great sizes of investors are placed in income slot of Rs. 200,001 - Rs. 500,000.
   ✓ There is trend among investors that they save their income for investment reason irrespective of their income. Since investors seems mutual fund as safe bet and also have large disposable incomes and risk taking capability too.
   ✓ It has been found that all investors' are acquainted with the importance of investment.
   ✓ There are lots of avenues existing in the market for investors. But investors invest to a great extent in Insurance followed by Mutual Fund.
   ✓ Thus from the study it can be observed that most of the investors receive the information from the Telemarketing followed by Consultants.
   ✓ Investors invest in the Mutual Fundsfor various purposes as per their convenience. E.g. several investment objectives like tax saving/planning has been ranked first as investors give utmost importance to it.
   ✓ Most of the investors choose a time frame between 1-3 years for the investment. It may be because the funds which have got lock in period of three years delivers tax benefit and long duration may give better returns and quick liquidity.
   ✓ Investors' have distinct investment expectations from the Mutual Fund Returns. The study explains that security has been ranked first.
   ✓ It is inferred that investors give prime preference to safety and has been ranked first and give least preference to capital appreciation and has been ranked fifth.
   ✓ It can be inferred that balanced fund is frequently preferred as 62 and 54 investors opt for balanced fund which is followed by debt fund i.e. by 61 and 52 investors and the last one is contra fund as 52 and 45 investors preferred it. Also it has been originated from

the above table that significant volume i.e. 52 and 45 investors are invested in blue chip funds.

✓ Investors invest in the Mutual Funds with several preferences as per their understanding of subject. From the study it can be seen that brand image has been ranked first and growth preference is ranked last.

✓ The concerning tables reveals that various reasons of investment in the mutual fund. The tables describes past performance has been preferred first whereas investors gives least preference to portfolio of the company.

✓ **From Data Analysis of Comparative Study:** From both the correlation analysis i.e. analysis of age and investment objectives, investment tenure, investment expectations, and investment preferences. Furthermore analysis of income and investment objectives, investment tenure, investment expectations, and investment preferences. It has been found that the data shows no co-relation between the series.

6. CONCLUSION

Running a successful MF requires complete understanding of the peculiarities of the Indian Stock Market and also the psyche of the small investor. This study has made an attempt to understand the financial behavior of MF investors in connection with the scheme reference and selection. The post survey developments are likely to have an influence on the findings. Behavioral trends usually take time to stabilize and they get disturbed even by a slight change in any of the influencing variables. Hence, surveys similar to the present one need to be conducted at intervals to develop useful models. Nevertheless, it is hoped that the survey findings will have some useful managerial implication for the AMCs in their product designing and marketing.

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